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SUMMARY RECORD OF THE 25th MEETING

Chairman: Mr. PAPADATOS (Greece)

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AGENDA ITEM 83: EXTERNAL DEBT CRISIS AND DEVELOPMENT (*continued*)

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The meeting was called to order at 10.15 a.m.

AGENDA ITEM 83: EXTERNAL DEBT CRISIS AND DEVELOPMENT (continued) (A/45/380, 531, 584 and 656; A/C.2/45/L.5)

1. Mr. NAVAJAS-MOGRO (Bolivia), speaking on behalf of the Group of 77, said that, as had recently been stated in the Declaration of the Ministers for Foreign Affairs (A/45/584), external debt remained a major obstacle to growth and economic development in the developing countries. The debt-service burden and the decline in net capital flows received had seriously limited their efforts to eradicate poverty. It had caused an enormous net transfer of resources from developing to developed countries which deprived the developing countries of funds that would normally have been earmarked for investment and domestic consumption. According to the World Bank, the total external debt of 111 developing countries had reached the astronomical sum of $US 1,165 billion in 1989, representing 200 per cent of the value of their exports, and 44 per cent of their gross domestic product (GDP).

2. While significant efforts to resolve the external debt problem had been made since 1989, those efforts were far from sufficient. The position of the Group of 77 on that question was well known. A relationship must be established between debt service and the development needs of debtor countries. A comprehensive and durable solution to the debt problem necessarily entailed a considerable reduction in the total volume and service of all types of debt for all groupings of debtor developing countries. The success of efforts by Governments in those countries to revive economic growth and sustained development would depend largely on the implementation of innovative measures.

3. The report of the Personal Representative of the Secretary-General on Debt (A/45/380) was a step in the right direction, in particular the systemic approach to debt relief outlined in paragraph 186 of the report.

4. As evidenced by its statement during the preparation of the international development strategy for the fourth United Nations development decade, the Group of 77 also agreed to a large extent with the portions of the report which recognized the need to establish a general climate of growth in both debtor and creditor countries; to increase opportunities for exports by debtor countries; to reduce interest rates in the developed countries and encourage savings in developing countries; to revise tax and accounting regulations; and to provide new and additional resources to developing countries on concessional terms. The Group of 77 supported the proposals on increasing resources for concessional loans by IMF and other multilateral financial institutions; implementing measures which would enable debtor developing countries to benefit from discounts on the secondary markets; and creating a special entity of the Bretton Woods institution to handle all aspects of debt-reduction operations.

5. However, the Group of 77 also believed that the international community, particularly, the developed countries, must make the necessary effort in order to reduce interest rates, increase the flow of external resources to the developing countries, improve the terms of trade, stabilize commodity prices and reduce

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(Mr. Navajas-Mogro, Bolivia)

protectionist barriers. As the developed countries sought to increase their rate of non-inflationary growth, they must also exercise increased multilateral macro-economic vigilance in order to correct imbalances in the world economy, and they must seek to involve the developing countries to a greater extent in multilateral macro-economic policies. Medium- and long-term debt rescheduling measures must take into account the development and structural adjustment programmes of each of the countries concerned. Creditor countries must provide debtor countries with the resources necessary for debt reduction, including special financing mechanisms to protect the debtor countries from the effects of adverse external factors during the implementation of their structural adjustment programmes.

6. Commercial banks must adopt realistic positions in negotiating with debtor countries and rapidly conclude debt-reduction and debt-moratorium agreements tailored to the circumstances of each country. New, innovative systems must be adopted, such as recycling the service of official debt. Multilateral financial institutions must continue to seek ways and means of debt relief in order to safeguard their prestige on the financial markets. Lastly, the possibility of establishing an advisory commission on debt and development must continue to be explored.

7. Mr. TRAXLER (Italy), speaking on behalf of the 12 States members of the European Community, welcomed the options proposed in the report (A/45/380) for reducing the international debt burden. It was clear from the report that the co-operative debt strategy was indeed working, but that it was taking longer than expected.

8. The strategy must involve not only management of the debt itself, but also correction of the underlying economic imbalances and structural distortions which had caused it. Encouraging progress had been made in countries where structural adjustment policies had been applied with determination and vision. Mexico and Chile were two shining examples of countries which were on the road to economic recovery.

9. Unfortunately, the debt strategy was having to operate in an international economic environment characterized by greater instability and risk since the Iraqi occupation of Kuwait. As a result of the occupation, the growth rate of the industrialized countries had dropped by at least one half percentage point. It was estimated that the impact on developing countries would be even more severe. Higher interest rates and the reduction in world liquidity would augment the burden of the developing countries.

10. Against that backdrop, creditor countries must continue to aim for sustainable, not inflationary growth; pass on higher oil prices to consumers; and provide increased, well-targeted aid and debt relief packages to indebted countries. Commercial banks should act expeditiously in negotiating with countries on new financial agreements.

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(Mr. Traxler, Italy)

11. Debtor countries, on the other hand, must pursue sound adjustment policies, which included establishing a favourable and stable economic environment and a legal framework conducive to investment, and taking a market-oriented approach to economic management.

12. The past year had seen continued progress in the negotiations between a number of middle-income countries and their creditor banks, in which the case-by-case approach had proved to be particularly effective. For example, the debt of Costa Rica, Mexico, the Philippines and Uruguay was being restructured, while Chile was pursuing a programme of market-debt conversion. Venezuela had concluded an agreement on debt and debt-service reduction, Morocco had reached an agreement on a bank financing package, and Jamaica had concluded a rescheduling agreement.

13. Proposals for debt relief to the lower middle-income countries had been put forward by France and Spain at the Houston Summit. Donor countries of the Organization for Economic Co-operation and Development (OECD) were converting bilateral aid loans to grants and financing debt service with grants. As a result, some $5.5 billion in debt had been forgiven or converted during the period 1988/1990. That represented roughly one quarter of the bilateral concessional debt of low-income countries. It was hoped that creditors which were not part of the Development Assistance Committee (DAC) would follow that example and convert their substantial outstanding concessional debt to grants. Several member countries of the European Community had already written off official development assistance (ODA) debt to the poorest and/or least developed countries. The Twelve had written off or planned to write off more than $8 billion, an official debt owed by countries in sub-Saharan Africa. The terms of the Toronto agreement on concessional relief for poor debtors should also be applied to non-concessional debt. Under the new Lomé Convention between the European Community and the African, Caribbean and Pacific countries, there were no longer special loans or replenishment requirements for Stabex. That meant that grants constituted 90 per cent of the total available resources. At least 1,150 billion ECUs had been set aside in order to support economic reforms in highly indebted ACP countries.

14. Resources had also been set aside in bilateral co-operation agreements with non-ACP countries for balance-of-payments assistance to highly indebted developing countries pursuing economic adjustment programmes. Recently, in the Development Committee and the Interim Committee of the World Bank/IMF France, the Netherlands and the United Kingdom had made proposals concerning severely indebted low-income countries which were implementing adjustment programmes. Those initiatives were designed to reduce debt overhang and restore normal financial flows, including foreign investment. They recommended writing off all or most non-ODA bilateral official debt, generous debt-service rescheduling and linking debt relief to sound economic policies. It was hoped that the Paris Club would consider the proposals at the earliest possible date. In the Development Committee and the Interim Committee, Belgium had also proposed measures which combined overall debt relief with the conversion of debt-service payments into local currencies.

15. Low-income countries were currently benefiting from a number of measures which were not directly related to debt relief. Those measures included concessional

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(Mr. Traxler, Italy)

assistance programmes aimed at increasing the availability of external resources, for example, those established by the World Bank and IMF to support countries with serious balance-of-payments difficulties. Funds disbursed by the World Bank's Special Programme of Assistance (SPA) to support adjustment programmes in 23 low-income African countries were expected to total $4.2 billion over the 1988-1990 period. About 70 per cent of that funding was in the form of grants. Low-income countries were also benefiting from allocations of reflows and investment income by the supplemental International Development Association (IDA) adjustment credit programme. That programme would provide about $80 million to nine severely indebted countries by the end of the year. The Twelve strongly supported the Programme of Action of the Second United Nations Conference on the Least Developed Countries and its debt provisions, which called on multilateral institutions to consider debt-relief measures for the least developed countries. Concern had also been expressed about the situation of lower middle-income countries which were mainly indebted to official creditors. The Twelve welcomed the decision by the Paris Club to extend maturities and allow new forms of debt conversion for such countries.

16. While the Twelve were convinced that the debt strategy was producing results, they were also aware that commercial banks were still reluctant to participate in the financing of debt-relief schemes for heavily indebted countries. The future prospects of many debtor countries would also depend on their access to financial markets and on future trends in oil prices. Creditor countries had a primary responsibility for promoting economic growth in debtor countries. IMF estimated that $30 to $35 billion in official resources could reduce annual debt service for middle-income countries by approximately $6 billion in the 1990-1993 period. The benefits to be derived from such debt-service reduction would be felt not only in terms of debt relief but also in terms of the creation of a climate more conducive to private investment.

17. The repatriation of capital, direct foreign investment and resumed lending by export credit agencies had a positive effect on the economies of debtor countries, and the Twelve recognized that prolonged internal and external imbalances in the industrialized countries significantly affected investment flows to developing countries. If the debt strategy was to be strengthened, new lending by commercial banks must be increased.

18. For middle-income countries, debt reduction alone could not bring about a resumption of growth; significant amounts of new commercial loans were also required. Governments should develop incentives to stimulate new commercial lending to developing countries. The seven major industrialized countries, meeting in Paris in 1989, had urged banks to take realistic approaches in their negotiations with debtor countries and to conclude agreements on financial packages without delay.

19. In addition to their debt problems, low-income countries would continue to suffer from structural weaknesses, so that support from official creditors remained crucial. While domestic reforms were necessary for real progress to be achieved, official creditors must also do more. Bilateral and multilateral creditors must

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(Mr. Traxler, Italy)

co-operate more closely in the search for a solution that encouraged the necessary national adjustments without rewarding accumulations of arrears. Some low-income countries outside Africa had yet to adopt significant adjustment programmes, and they would need donor support when they did so. Moreover, low-income countries would continue to need donor support once the special programmes currently under way ended. In that connection, the Twelve fully supported the provisions set out in the Paris Declaration and Programme of Action on external flows of resources to the least developed countries.

20. Until recently, discussions on debt had focused on the market-traded debt of middle-income countries and official assistance for the adjustment programmes of low-income countries. It was now recognized that exclusive concentration on those two groups of countries could be detrimental to other developing countries which also merited support. On the one hand, some countries had relatively moderate debt burdens but were experiencing debt-servicing difficulties. On the other hand, some countries - such as India, Indonesia and Pakistan - had managed their economies prudently and retained their access to financial markets but were saddled with a relatively heavy debt burden. Official resources must not be diverted away from those countries. He welcomed the fact that the international community had begun to address the problems of lower middle-income countries, whose debt to official creditors had almost tripled, to over $200 billion, and whose average ratio of debt to GNP had risen from less than 50 to nearly 90 per cent.

21. Working together, the international community had made substantial progress in tackling the debt problems of the 1980s. States must continue to lay the ground for sustained growth in the developing countries as financing was directed towards trade, programme and private-sector financing. Domestic policies of the developing countries would be the essential precondition for flows of external financing. As market access became the main criterion for development in many developing countries, the European Community was making a decisive contribution to the growth of trade and, in particular, to the developing countries' rising stake in world commerce. The single European market of 1992 would stimulate further growth in world trade, benefiting the developing countries. While the Twelve were determined to pursue the agreed targets for ODA, such assistance must be accompanied by trade liberalization measures that would increase the developing countries' export revenues.

22. Mr. NIKAI (Japan) said that the report provided a thorough analysis of the current situation which fully acknowledged the diversity of debtor countries and the importance of the shared responsibilities of creditor, debtor and international organizations.

23. While there was no magic cure for the debt crisis, any debt strategy must comprise persistent national and international efforts to increase debtor countries' economic viability and creditworthiness. Given that the success of such efforts depended upon the political stability of the countries concerned and the consistency of their economic programmes, the current move towards democratization in a number of Latin American countries was a welcome development.

(Mr. Nikai, Japan)

24. In formulating a successful debt strategy, the need for debtor countries to undertake growth-oriented structural reform must be recognized. In general, they must implement macro-economic policies to increase domestic savings, reduce inflation and foster capital formation while enhancing economic efficiency. Measures to stimulate foreign investment and other non-debt-creating flows of capital were also required. He welcomed the consensus which had emerged in the United Nations on the critical role of national policies in dealing with the problems of growth and development, including external indebtedness. The international community now provide adequate financing and a sound international economic environment conducive to a resumption of economic growth in debtor countries. The strengthened debt strategy provided a good framework for such efforts, and it was to be hoped that international financial institutions would continue to assist debtor countries engaged in the adjustment process.

25. The international community should give special consideration to the most economically vulnerable countries, such as the least developed countries of sub-Saharan Africa. In that connection, he welcomed the expanded application of the Toronto scheme, the recent decision of the Paris Club to reschedule the official debts of lower-middle-income countries and lengthen repayment periods on a case-by-case basis, and the establishment of a debt-reduction facility for IDA-only countries. The need for adequate new capital to finance development efforts and economic reforms must also be borne in mind, particularly in the case of countries whose debts were primarily to official creditors. If debt reduction led to a reduction in the new capital they received, it was questionable whether such reductions would truly contribute to a resumption of sustained growth. Finally, it must be recalled that many developing countries were making great efforts to repay their external debts without resorting to debt restructuring. Recognizing the difficulties they faced, his delegation strongly believed that the international community should continue to support their efforts by providing the necessary financial assistance.

26. Mr. MOHIUDDIN (Bangladesh) fully endorsed the statement made by the representative of Bolivia on behalf of the Group of 77. The progressive deepening of the debt crisis continued to pose a grave threat to the political, social and economic orders in debt-distressed countries. The report of the Personal Representative of the Secretary-General on Debt highlighted the strong correlation between slow economic growth in developing countries and debt. Virtually none of the severely indebted countries had been able to return to a satisfactory balance-of-payments position despite undertaking painstaking adjustment efforts. Even more serious was the fact that investment and vital social expenditures in those countries had been curtailed, with tragic and inevitable consequences for disadvantaged groups of the population.

27. His delegation strongly believed that the problem called for a comprehensive approach. The current debt strategy must be reviewed and strengthened and every effort made to ensure that measures to address the crisis were adequate and timely. The restoration of productive investment should be a key element of the strategy, for without increased investment, higher growth levels could not be attained. New investments were also needed to consolidate the gains of

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(Mr. Mohiuddin, Bangladesh)

stabilization and structural adjustment programmes undertaken by indebted developing countries. The debt strategy must also be articulated within a specific medium-term framework to ensure predictable flows of resources for development.

28. Effective debt relief must also play an essential role in a durable solution to the debt crisis by preventing debt from acting as a brake on the economies of indebted developing countries. The Brady Plan had constituted a major step towards a consensus on the orientation of a credible debt strategy. The concerns raised by the Personal Representative of the Secretary-General in connection with the implementation of the Plan had underscored some genuine concerns which must be urgently addressed in order to enhance the impact of the Plan.

29. His delegation agreed that the participation of all creditors, including Governments and multilateral institutions, was required and that greater and more regular levels of resources and better co-ordination were necessary to manage the crisis. In addition, private banks must be encouraged by means of appropriate fiscal incentives and other regulatory supports.

30. Bilateral and multilateral official creditors must play a key role in the strategy. The position taken by the seven major industrialized nations at the Toronto economic summit had represented a major advance on the part of official creditors regarding the non-concessional debt of the poorest countries. Likewise, the sensitivity displayed at the Second United Nations Conference on the Least Developed Countries in extending the Toronto options to all least developed countries was most welcome. However, the manner in which those options had been exercised since 1988 had been marked by problems related to the degree and timing of concessionality and additionality. Such problems must be addressed. He therefore welcomed the recent request made by the seven major industrialized countries to the Paris Club to review the manner in which existing options were put into effect. Such a review should examine ways of overcoming those limitations. The proposals put forward by the Netherlands, the United Kingdom and France on those and other related matters were important initiatives that would significantly help to ease the burden of official debt among the least developed countries.

31. Cancellation of the ODA debt of least developed countries must also be an integral part of a realistic strategy to deal with the debt of those countries. He endorsed the suggestion made by the Personal Representative of the Secretary-General in that regard and urged that comprehensive action should be taken by multilateral institutions, which held 40 per cent of the least developed countries' total long-term debt. All possible options must be explored which did not adversely affect the financial viability of those institutions. The refinancing scheme developed by the World Bank as part of its Special Programme of Assistance could be used extensively to provide relief for a variety of types of multilateral debt and could serve as a point of departure for additional measures. That model could also be applied to regional development institutions, and he urged that additional funds should be mobilized to that end.

32. The successful resolution of the debt crisis was inextricably linked to trade policies. No strategy could succeed if debtor countries lacked adequate market

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(Mr. Mohiuddin, Bangladesh)

access for their products. If the developed countries continued to limit access to their markets, the developing countries' debt problem would only be aggravated. The current stalemate in the Uruguay Round must therefore be overcome and protectionist trends effectively reversed.

33. Mr. LAVROV (Union of Soviet Socialist Republics) said that the measures already adopted to address the debt crisis had proved inadequate and further concerted action was required. An effective strategy on debt should incorporate both a global and an individual approach to debt problems and must be sensitive to the economic, social and political aspects of the current debt crisis and its influence on the world economy.

34. His delegation agreed with the Personal Representative of the Secretary-General on Debt that a long-term settlement of the debt problem required systematic and vigorous efforts by all those concerned and that the measures adopted should constantly be brought into line with developments in the world economy and the economies of individual debtor countries.

35. The Soviet Union aimed to play an active role in international efforts to solve the problems of external debt and had accordingly expanded its co-operation with its credit partners and with the corresponding multilateral mechanisms. That co-operation would be facilitated by the USSR's acceptance of internationally accepted standards for the regulation of credit relations. If approved by all Republics, the new policies on external financing would be incorporated in an All-Union agreement. The Soviet Union supported the proposal by the United Nations Conference on Trade and Development (UNCTAD) to reduce external indebtedness to commercial banks and believed that the adoption of innovative approaches to debt relief, aimed at promoting the stability and effectiveness of international credit relations, would increase government support for market mechanisms of debt regulation at national and international levels. The USSR would support those Soviet enterprises which wished to employ such market mechanisms by developing its own foreign economic relations, particularly with the developing countries.

36. The Soviet Union wished to play an active part in the international dialogue on debt, by participating in such bodies as the proposed advisory commission on debt and development.

37. Mr. PAULINICH (Peru) said that, although the developing counties had been following a series of formulas aimed at finding a lasting solution to the debt problem, that goal had not yet been achieved.

38. Between 1982 and 1985, the conventional remedies of refinancing and rescheduling had been attempted. Since 1989, the problem had been tackled under the Brady Plan, which had brought about a new way of thinking and placed the problem in a political context. The limitations of that Plan derived from the fact that it applied only to commercial debt and from the very slow pace at which it had been implemented. Ultimately that initiative, too, had been insufficient.

(Mr. Paulinich, Peru)

39. In June 1990, a Regional Conference on External Debt had been held at Caracas under the sponsorship of the Latin American Economic System (SELA) at which agreement had been reached on a Latin American and Caribbean proposal for a solution to the region's debt problem. The meeting had been the first of its type for debtor countries and should be viewed as a serious and responsible effort on the part of the countries of Latin America and the Caribbean to find realistic and lasting solutions to the problem.

40. The recent appointment by the Secretary-General of a personal representative on debt clearly marked a new phase in the consideration of the item in the United Nations. Following the adoption of the historic Declaration on International Economic Co-operation and the agreement reached on the proposed text of the international development strategy for the 1990s, it would seem that the international community had reached a consensus on the subject. In that context, the proposals contained in the report of the Personal Representative of the Secretary-General on Debt (A/45/380) were of particular importance.

41. His Government had sought to integrate Peru in the international financial community by adopting an adjustment programme aimed at correcting macro-economic imbalances, but having as its core objective the improvement of the social situation of the Peruvian people. That task called for effective collaboration with the international community. His delegation believed the Committee should support the strategy proposed in the report before it.

42. Mr. AWOONOR (Ghana) said that the real purpose of the debt strategy pursued by the developed countries had been to avoid any defaults likely to cause systematic disruption to their financial and monetary régime. Analysis would show that much of the debt accrued from the manipulation of so-called obligations on paper and the growth of debt had been boosted by high interest rates, adverse terms of trade and low commodity prices. The large fiscal and trade imbalances which some leading industrial countries had showed during the 1980s had introduced a new element of instability in the financial and monetary system and contributed to the precipitous rise in interest rates.

43. The development capacity of the developing countries had been severely constrained by their huge debt-service burdens, the consequent curtailment of domestic investment and the erection of protectionist barriers in the markets of the developed countries. The capacity of debtor developing countries to service their debts had been seriously affected by the worsening terms of trade, and in particular by the drop in commodity prices, which, in 1988, had entailed a loss to Africa alone of $19 billion.

44. Although Africa's external debt was smaller than that of other regions, it was large in relation to the size of the African economies and the continent's debt service ratios averaged 47 per cent and in some cases exceeded 100 per cent. Africa's total external debt represented about 64 per cent of the region's GDP. Over 30 African countries were pursuing structural adjustment programmes and desperately needed resources to cope with their monumental development problems; those problems were being compounded by the recent rise in oil prices.

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(Mr. Awoonor, Ghana)

45. Ghana supported, in principle, the measures proposed by the Secretary-General's Personal Representative on Debt relating to low-income debt, although it would have preferred to see the resources of trust funds not tied to specific programmes. The proposals constituted a sound basis for the development of more comprehensive solutions.

46. Mr. WOLFF (Colombia) said that, while the report by the Personal Representative of the Secretary-General on Debt (A/45/380) merited careful analysis, his delegation would have preferred bolder proposals aimed at the earliest possible solution of the debt crisis. However, it welcomed many of the report's recommendations, in particular those calling for a systemic treatment of the debt problem, the participation of all creditors, the maintenance of the case-by-case approach, the strengthening of the Brady Plan, the cancellation of bilateral debt servicing for the poorest countries and the recommendation of similar action for the other indebted countries, new debt-relief measures to be taken by the developed countries, the guarantee of an adequate flow of public and private funds to developing countries with the goal of providing 0.7 per cent of GDP as official development assistance, the reduction of interest on private debts through appropriate incentives and revised tax and accounting regulations, and a moratorium for those sub-Saharan countries worst affected by the Gulf crisis.

47. The situation of the most heavily indebted countries had deteriorated to an alarming degree and their debt-service burden had become a major obstacle to progress and development, with very serious consequences for low-income groups. The problem of debt had widened the gap between the rich and the poor in the world and condemned millions of people to a degrading existence. Those bleak prospects, and the systematic rejection by the creditor countries of any new strategies rendered futile the search for new solutions. For that reason, his delegation could only insist on the full application of the Toronto terms and on the revision of the Brady Plan, as the deficiencies of that initiative had been acknowledged by the creditor countries themselves.

48. Colombia welcomed the innovative, generous and purposeful ideas contained in the packages and initiatives proposed by the Governments of the United States, the United Kingdom and the Netherlands. The different programmes contained in those initiatives and those proposed in document A/45/380 were mutually complementary and their implementation should be co-ordinated by one of the international financial institutions.

49. Reactivation of growth and development would not be possible until the problem of external debt had been solved. Rising interest rates, worsening terms of trade, the reduction of external resource flows, the resurgence of protectionism and the slow growth of the world economy were increasing debt-service burdens and a significant improvement was needed in the international economic environment in order to prevent the further spread of debt problems to countries which had so far escaped their pernicious consequences.

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50. Mr. ANDREEN (Sweden) said that those countries which had undertaken strong adjustment programmes had achieved positive results in dealing with their debt problems, underscoring the importance of adjustment as a vital element in the debt strategy. Continued support was needed, through external financing and other debt-relief measures, to assist countries with their adjustment programmes.

51. Efforts to achieve long-term growth and development were being frustrated by the debt burden. Although some middle-income countries had made progress in solving their debt problems, many countries still faced serious financial difficulties and required increased participation by the commercial banks to support their continued efforts.

52. The Nordic countries welcomed the debt-relief measures proposed by the Paris Club for the severely indebted lower middle-income countries as well as the Toronto options for severely indebted lower-income countries. The external viability of those countries, however, remained highly uncertain and careful consideration should be given to recent proposals on further debt reduction for those debt-distressed lower-income countries that had implemented economic adjustment programmes with the International Monetary Fund (IMF). Corresponding measures had already been implemented by some of the Nordic countries and his delegation looked forward to a review of those proposals in the Paris Club.

53. Multilateral creditors, including IMF, should be encouraged to make substantial financial contributions and Governments should make prompt use of the IMF structural adjustment facilities on concessional terms. Additional resources, to supplement international development assistance credits and grants from some of the Nordic countries, were needed to help low-income "IDA - only" countries to service their World Bank debt. Similarly, countries which had engaged in strong economic recovery programmes should be given support by the international financial institutions and the donor countries in settling their arrears to IMF or other multilateral creditors.

54. As they had been cancelling their ODA loans to the least developed countries for more than 10 years the Nordic countries welcomed the announcement of similar action by a number of donors in 1989 and supported the World Bank facility which incorporated buy-back operations into the strategy for settling non-guaranteed commercial debt.

55. A flexible and open multilateral trading system, capable of resisting protectionist pressures, was of vital importance in addressing the debt problem. In view of the pressing need for futher debt relief and increased development assistance, the Nordic countries attached great importance to the attainment of the ODA target of 0.7 per cent of GNP. In response, a strong commitment was required from the debt-distressed developing countries to pursue adjustment policies aimed at the revival of growth. ODA and other forms of debt relief must not replace the need for each developing country to make efficient use of its own resources. Large resources could be released from military budgets, which constituted a considerable proportion of the economies of those countries.

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56. Mr. PEREZ DEL CASTILLO (Observer for the Latin American Economic System) said that increasing debt and the high cost of debt servicing were the major obstacles to the economic revitalization of the developing countries. A recent study made by the Latin American Economic System (SELA) indicated that, if current economic policies and negative transfers of financial resources to the developed countries persisted, the average annual growth rate of the GDP of the Latin American and Caribbean countries between 1990 and 1995 would not exceed 2 per cent. That meant increased poverty and unemployment, the reduction of investment to the low levels of recent years, the maintenance of negative transfers of resources abroad at current levels, environmental deterioration and the renunciation of policies promoting well-being and social development. Undoubtedly, that situation would give rise to political and economic instability and would jeopardize the consolidation of democracy in the region.

57. Despite the application of the Brady Plan in some countries of the region, the total amount of external debt of Latin America and the Caribbean would remain around $US 430 billion in 1990. In view of the magnitude of the region's debt problem, the progress which had been made under the Brady Plan had been insufficient. The Plan was highly selective and was limited in so far as it did not provide any solution for official debt, either bilateral or multilateral. Since it relied on voluntary action on the part of banks its implementation was unpredictable, and the resources of the International Monetary Fund (IMF), the World Bank and Japan on which it relied were totally inadequate. Finally, the slowness with which the Brady Plan was being implemented did not augur well for a definitive solution of the debt problem in the near future.

58. For most countries of the region, the withholding of interest payments had become the sole way of compensating for a lack of external financing. Official financing was the only source of external financing on which the countries of the region could rely; at the same time, they were confronted with a negative transfer of resources not only to bilateral creditors but also to international financial institutions. Since 1987, the region had had annual debit balances on the order of $US 2.5 billion with international financial institutions and about $US 150 million with bilateral creditors. The principal coefficients of indebtedness which were applied to all countries of the region remained at levels higher than those defined as critical by multilateral financial institutions.

59. Between 1982 and 1990, the Latin American and Caribbean region had transferred abroad approximately $US 300 billion in debt-servicing payments yet, despite that enormous outflow of resources, the region's debt had grown by more than $US 100 billion.

60. The principal means for the countries of Latin America and the Caribbean to revitalize growth was to allocate domestic savings to productive activities. Mindful of that situation, in June 1990 the 26 States members of SELA had held a Regional Conference on External Debt and had adopted a Latin American and Caribbean proposal for a solution to the region's external debt problem (A/45/334), which had been circulated at the current session of the General Assembly. The proposal was also being submitted to IMF and the World Bank. Perhaps even more important than the adoption of the proposal had been the adoption of the regional plan of action,

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(Mr. Perez del Castillo)

which specified ways of following up the Regional Conference and provided for the establishment of a ministerial committee of Latin America and the Caribbean on external debt, which would be open to the participation of all interested member States.

61. The report of the Special Representative of the Secretary-General on Debt (A/45/380) provided an interesting analysis of the evolution and effects of external debt, and of methods for dealing with it. The report emphasized the joint responsibility of debtors and creditors to find a solution to the external debt problem. The suggestions it contained bore a great similarity to the SELA proposal.

62. The report made no reference to a substantial element of the debt of Latin American and Caribbean countries, namely, the heavy burden of debt servicing to international financial institutions and its proposals regarding the strengthening of the Brady Plan would do nothing to correct the Plan's limitations, for example, its selectivity and slowness. It was also questionable whether the establishment of a new international agency was the best way to support the Brady Plan. The report mentioned the advantages of debt-to-equity swaps and other forms of debt conversion despite the fact that, in most cases, they had been of marginal use in reducing external debt and had entailed severe macro-economic consequences.

63. The report repeated the message of international financial institutions, creditor banks and industrialized nations regarding the economic behaviour and reforms which the developing countries must undertake in order to solve the debt problem. While the internal adjustment of the economies of debtor countries were an important part of a durable solution of the debt problem, a more favourable international environment and a better response from the other parties involved in the debt problem were also required. The industrialized nations must make a concerted effort to co-operate with debtor countries, especially in the light of the severe impact of the events in the Persian Gulf on the economies of most debtor countries. The report also referred to other techniques for reducing the debt burden and providing new money, without acknowledging that developing countries were perfectly capable of determining how best to allocate resources. Finally, since the report did not rely on follow-up mechanisms or make specific references to bodies in which the diverse proposals of the Special Representative of the Secretary-General could be negotiated, it might well prove to be just one more academic reference document.

64. An initial step in alleviating the burden of the various types of debt required co-ordination with the Governments of the principal industrialized countries. The renegotiation of debt with commercial banks would be facilitated by a greater flexibility in bank regulations, which would encourage arrangements to reduce debt and debt servicing, or to limit or reduce favourable treatment of banks which were reluctant to participate in renegotiation packages. For example, banks could be allowed to absorb, over a 10-year period, the losses resulting from their participation in measures to reduce debt. Moreover, changes in the clauses of loan contracts were necessary.

(Mr. Perez del Castillo)

65. The working principles of the Paris Club must be reformulated in order to give greater scope to the renegotiation of bilateral debt. The economic and social conditions in many Latin American and Caribbean countries justified the flexible application for them of the Toronto initiative for dealing with the debt problem, including the substantial cancellation of all bilateral debt on concessional terms and at market rates.

66. For a number of countries of the region, the debt owed to multilateral financial institutions constituted a substantial part of their overall external debt. The current negative flows of resources to such institutions should be reversed and maturities should be extended and countries' efforts to restructure their debt with multilateral financial institutions should be supported. The possibilities of reducing the financial and operating costs of such institutions should also be explored.

67. Mr. BHATIA (International Monetary Fund) said that, as the 1980s drew to a close, the external debt of most developing countries had become a manageable problem. First, in the case of severely indebted upper middle-income countries, there had been continued progress in negotiations on financial packages. In addition, Paris Club creditors had continued to provide rescheduling of official bilateral debt on appropriate terms, including longer rescheduling maturities; that had been supplemented by new bilateral loans, including export credits. An encouraging recent development had been the limited resumption of spontaneous private sector flows to some severely indebted middle-income countries. Those countries had also witnessed higher domestic investment, and an increase in the growth rate of their GDP.

68. Secondly, with regard to lower middle-income countries, official bilateral creditors had provided debt rescheduling and new loans for countries implementing adjustment programmes. While there was a need to implement more comprehensive medium-term adjustment programmes in the lower middle-income countries, those countries would remain heavily dependent on official sources of financing. It was therefore encouraging that the Houston Summit had requested the Paris Club to continue reviewing additional options to address debt burdens, especially since almost one third of the medium- and long-term official debt of those countries was owed to bilateral official creditors.

69. Finally, the severely indebted low-income countries continued to benefit from debt-relief measures. During 1988-1990 alone, the amount of debt forgiven by major donor countries in the Organisation for Economic Co-operation and Development (OECD) was estimated at $5.5 billion and, as a result, in 1990 those countries' cash debt service would be reduced by $100 million, or nearly 1 per cent of their exports. In addition, those countries had benefited from generous rescheduling. Between 1988-1989, 17 of the 27 rescheduling low-income countries had experienced a reduction in their debt ratios; the share of concessional debt in their total medium- and long-term debt had increased from 42 per cent in 1982 to 52 per cent in 1988, and had probably continued to increase. The World Bank had provided $100 million towards the Debt Reduction Facility of the International Development Association (IDA); to date, 15 severely indebted countries had requested use of the

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(Mr. Bhatia, IMF)

Facility. Furthermore, those countries continued to benefit from other concessional facilities. Of the 27 severely indebted low-income countries, 19 were currently pursuing adjustment programmes supported by international financial institutions.

70. The progress made so far underscored the importance of collective decisions and co-ordinated actions by all parties involved. However, strong economic policies remained the key to improved economic performance and a return to external viability. Debt relief alone could not enable the heavily indebted countries to resume growth on a sustainable basis; new investment required additional savings, and structural transformation of economies implied that countries implemented appropriate structural adjustment policies. It was necessary to persist with the current strategy while seeking ways to reduce the relative burden of debt.

71. The Gulf crisis had added a new dimension to the difficulties of the indebted countries. However, those difficulties did not represent a new dimension of the debt problem and should not be regarded as an additional justification for devising new schemes of financial assistance. Growth-oriented policies should continue to be emphasized to allow countries to grow out of their debt problem. Debt and debt servicing should be brought back into a sustainable relationship with a country's national product and foreign exchange earnings. Developing countries would continue to need foreign flows of resources in order to meet their development needs; such resources should be provided preferably in the form of grants and other non-debt-creating flows but also as concessional and other forms of debt. The indebted countries should be encouraged to adopt growth-oriented policies in order to be able to service their debt while improving the economic well-being of their peoples, and the industrialized countries should be encouraged to provide supportive financial assistance and to open their markets to imports from developing countries. If those parameters could be ensured, a lasting solution to the debt problem would not be far behind.

The meeting rose at 12.50 p.m.

UNITED NATIONS
General Assembly
FORTY-FIFTH SESSION
Official Records

SECOND COMMITTEE
26th meeting
held on
Tuesday, 30 October 1990
at 3 p.m.
New York

SUMMARY RECORD OF THE 26th MEETING

Chairman:	Mr. PAPADATAS	(Greece)

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The meeting was called to order at 3.20 p.m.

AGENDA ITEM 83: EXTERNAL DEBT CRISIS AND DEVELOPMENT (continued) (A/45/380, A/45/531, A/45/584, A/45/656; A/C.2/45/L.5)

Statement by the Secretary-General

1. The SECRETARY-GENERAL said the continuing crisis of external indebtedness of developing countries reflected a deep-rooted malaise in international economic and financial relationships. Over the past eight years, the external debt of those countries had increased and had become a major impediment to growth and development of most of the developing countries and to the revitalization of the global economy. In spite of continued efforts to find a solution, total external debt of developing countries had grown steadily, from $US 740 billion in 1982 to $US 1,100 billion in 1989, causing the burden of debt payments of the debtor countries to increase to a point where many of them, even after repeated rescheduling, were no longer in a position to meet their obligations to their creditors. The effects of the crisis were so serious and widespread that it was not possible to wait for conventional approaches to bring about a solution. Economic conditions in much of the third world, and particularly in certain regions, demanded a dynamic and broad-based approach that would have a tangible impact. The United Nations had drawn attention to the dangers of the crisis ever since its beginning. Since 1987, the General Assembly had adopted a number of resolutions on the problem, in which the principal elements of a solution were identified. Although some progress had been achieved, much still needed to be done.

2. The scope and the extent of the problem were further aggravated by the current crisis in the Persian Gulf, which, along with speculation and uncertainties about the future, had caused the price of oil to rise to levels which were intolerable for most of the oil-importing developing countries, whose economies did not have the necessary resilience to deal with the additional burden imposed by the higher cost of oil.

3. If present trends persisted, it was unlikely that there would be any increase in gross domestic product in much of Latin America during the 1990s. Prospects in 1991 might improve slightly for some of the oil-exporting countries, but in general most countries would clearly be unable to cope with the dual pressure of debt-servicing burdens and the increased cost of oil imports.

4. The situation in sub-Saharan Africa and in most of the least developed countries was even worse. The majority of those countries had still not managed to show a significant improvement in their growth performance. There again, a few oil-exporting African countries would benefit, and their economies might show signs of improvement in 1991, but for the rest, the economic prospects were bleak.

5. In Asia, too, where there had been some cause for satisfaction as several of the larger countries had achieved consistent growth, the slowing down of external financial flows, currently combined with huge oil import bills, had darkened short-term prospects. Furthermore, the debt problem of a number of countries, particularly in southern Asia, might loom larger in the years ahead.

(The Secretary-General)

6. Higher oil prices only served to expose the vulnerability of those economies and the underlying causes of the distortions in international economic and financial relations. Most economic indicators suggested a general slowing down of the world economy. There were also indications of a continued strong negative trend in the net transfer of resources associated with medium- and long-term borrowing by developing countries. In those circumstances, it was becoming more urgent than ever to arrive at a consensus on a debt strategy which centred on substantial debt and debt-servicing reductions and covered a wider range of credits and creditors.

7. In spite of extensive international and national efforts to cope with the debt problem of the developing countries, there was little evidence to suggest that their capacity to service debt and to finance imports had increased. The economies of heavily indebted countries had in fact continued to weaken. At the national level, efforts had focused on adjustment programmes and on increasing the levels of both public and private investments; those efforts had unfortunately yielded sparse results. At the international level, debt rescheduling and commitments for official development assistance had proved totally insufficient in relation to the size of the problem. The situation was further aggravated by exceptionally high levels of interest rates in a large number of major industrialized countries.

8. The debt crisis had received considerably more attention in recent years, and particularly since 1989, with the Toronto agreement and the Brady Plan. More recently some new initiatives had been taken to increase the degree of international consensus with regard to a more effective debt strategy. In that context, he said it was worth noting in particular the proposal made by the Government of the United Kingdom at the September meeting of Commonwealth Finance Ministers and the initiatives adopted by France and the Netherlands at the Second United Nations Conference on the Least Developed Countries. Some industrialized countries had also accelerated their programmes for the provision of assistance to countries in sub-Saharan Africa and Latin America.

9. So as to stimulate further thinking on the evolution of a debt strategy and to develop an international consensus on the policy approaches to be included in it, he said that last year he had appointed Mr. Bettino Craxi, the former Prime Minister of Italy, as his Personal Representative on Debt. Over the past 10 months, Mr. Craxi had devoted much time and energy to meeting with government leaders of creditor and debtor countries and heads of financial institutions and banks in order to explore ways and means and the most appropriate courses of action for the speedy and effective lowering of the debt burden in the developing countries. The preceding week Mr. Craxi had submitted his report (A/45/380), which was now before the Committee.

10. He was very grateful to Mr. Craxi for the imagination and dynamism that he had put into the preparation of the report. There were no definitive solutions or time-tested methodologies for solving the debt crisis, but Mr. Craxi had put forward many ideas and recommendations which could give impetus to and supplement ongoing efforts. The Secretary-General said he was sure that the report would

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(The Secretary-General)

stimulate thinking on the critical issue of the debt, not only in the General Assembly but also by all other parties concerned, including Governments and international and private financial institutions.

11. As the Assembly had requested the preceding year in its resolution 44/205, the Committee also had before it the report of the Secretary-General on the recent evolution of the international debt strategy (A/45/656). At a time when the contours of a new global consensus on economic and social issues were being defined through such important agreements as the Declaration on International Economic Co-operation for Development adopted at the eighteenth special session of the General Assembly and the fourth International Development Strategy, the persistant crisis created by the magnitude of the external debt should not be allowed to retard the process or to continue to frustrate the development efforts of the most severely indebted countries.

12. The three central elements of the search for a solution were well known and widely accepted: namely, a clear commitment to strengthen domestic policies; the vital importance of the supportive role played by the external environment; and concerted action by Governments, private creditors and multilateral institutions. Those principles must be reflected in a comprehensive strategy on debt aimed at effectively reducing the total stock of debt and debt-servicing and at restoring the capacity of the debtor countries to meet their debt obligations.

13. He attached great importance to the work of the Committee on that issue, which could contribute significantly to the search for a meaningful and durable solution to the debt problem. He would continue to pay close attention to that crucial issue and the Secretariat would continue to provide substantive support through research, analysis and new ideas and approaches, so as to facilitate its work.

General discussion

14. Mr. YENEL (Turkey) said that external debt was linked not only to interest rates, trade and financial flows, but also to poverty, the deterioration of social services and political instability. The report of Mr. Craxi on the external debt crisis and development (A/45/380) highlighted the major issues, provided guidance for debt reduction and proposed solutions.

15. Debt reduction must be supplemented by adequate access to markets, additional investments, new resources and reasonable interest rates. The industrialized countries and financial organizations were aware of the debt situation and had put forward major initiatives, but the developing countries must stress that their situation was very serious and that they were applying realistic, growth-oriented policies. The manner of approaching the external debt problem was crucial in the search for a solution, since the issue was not solely financial and should be treated as a whole with all its economic aspects. The current international economic and monetary system had been found to work well in emergency situations, but its aim should be to anticipate such situations in order to avert economic, social and political problems.

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(Mr. Yenel, Turkey)

16. Private banks must be persuaded to engage in burden-sharing and provide new resources, and it was imperative for industrialized countries to apply economic policies for promoting exports from developing countries. It was to be hoped that a way could be found to involve organizations representing commercial banks in the Committee's deliberations so that they could learn directly about the current critical situation and the effects of the dwindling transfer of resources.

17. So long as new resources were required for development and growth, debt would exist. Those resources must support the efforts of developing countries which were not requesting total elimination of debt but rather that it should be more manageable so that they could apply realistic and sustainable development policies.

18. Mrs. KHAN-CUMMINGS (Trinidad and Tobago) said that the appointment of Mr. Craxi as Personal Representative of the Secretary-General on Debt demonstrated a willingness to treat the debt crisis as a major concern of the United Nations. Mr. Craxi's high-level contacts would facilitate the formulation of a more effective strategy to deal with the debt problem.

19. External debt continued to be a major problem in international economic relations: its seriousness for developing countries, including many small middle-income countries such as Trinidad and Tobago, showed the pressing need to try new approaches at the international level in order to support initiatives taken at the national level. The hope that the debt problem would be transitory and that debtor countries would shed it by increasing their exports was based on the expectation that brisk growth in industrial countries would enable developing countries to improve their export earnings. However, while the developed countries had enjoyed a long period of growth, the longest since the Second World War, developing countries as a whole had posted negative growth rates. High interest rates, lower income from commodity exports, debt service and protectionist measures in the North had exacerbated the debt problem and remained obstacles to growth in many developing countries.

20. The debtor countries continued to register a net outward transfer of resources. Their capital goods were obsolete and their debt-servicing obligations were so heavy that they were unable to improve their creditworthiness. After five years of strict austerity, the debt situation had worsened, particularly if debt exports and debt/debt-service ratios were considered. Indeed, there had been few cases of growth-oriented adjustment.

21. Some developed creditor countries, such as France, the United Kingdom, Canada, the Netherlands and the Nordic countries, had taken steps to write off part of the official debt of the most indebted low-income countries. That initiative, which should be part of the debt-reduction strategy, should be extended to a greater number of debtor countries. Canada, with its initiative to forgive the official debt of Caribbean Commonwealth countries, had recognized that small middle-income countries also suffered from the burden of debt-servicing.

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(Mrs. Khan-Cummings, Trinidad and Tobago)

22. The substantial relief granted to the severely indebted low-income countries on their bilateral official debt, application of the Toronto terms to the bilateral official debt of a number of countries since 1988, and the proposals formulated by the United Kingdom at the recent meeting of Commonwealth Ministers of Finance were equally encouraging.

23. The Baker and Brady Plans and the Japanese initiative had attempted to address the problem of middle-income countries. Those efforts had averted the collapse of the international financial system and confrontation between debtors and creditors, but they had not dealt comprehensively with the more systemic aspect of the external debt crisis. While the flow of resources remained modest and the financial flows generated had not been sufficient to reverse the net financial transfers, some were of the view that those measures were provisional and that a more radical approach to the debt problem was required, together with new financial resources in order to resolve the crisis and promote sustained growth. Those measures must be supported by a new approach to the lending and evaluation criteria practised by multilateral institutions and commercial bank creditors.

24. In view of the revolving nature of its resources, the International Monetary Fund could not sustain a continuous flow of resources to recipients of its loans, but the seriousness of the crisis required more innovative approaches. IMF and the World Bank should have both greater resources and new mandates in order to promote growth and development in developing countries.

25. There was a pressing need to reduce the transfer of real income from countries in Latin America and the Caribbean, Africa and Western Asia to countries in the developed world and to increase resource flows from the North to the South, which continued to decline. It was also especially vital to increase official development assistance in order to revitalize growth.

26. Since the debt problem was an integral part of the question of development, policy reforms should be designed to achieve maximum sustainable growth. The industrialized countries should give special attention to co-ordinating their policies with a view to promoting greater stability of exchange rates and adjustment in trade imbalances. Efforts should also be made to boost savings in deficit industrialized countries in order to lessen the pressure on interest rates.

27. The current session should set the stage for a collective response by the international community to the economic deterioration which had plunged the countries of the South into a developmental crisis.

28. Mr. KRYZHANIVSKIY (Ukrainian Soviet Socialist Republic) said that the international community was right to focus on the debt problem, because it was one of the major obstacles to stable social and economic development in many countries. The improvement in the international political climate over the past year would make it easier to solve the problem and create an awareness that, because of its global nature, a joint effort was required.

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(Mr. Kryzhanivskiy, Ukrainian SSR)

29. The report that Mr. Craxi had prepared at the request of the Secretary-General (A/45/380) was an important step in that direction. The recommendations therein were addressed to all the parties involved, i.e., the Governments of creditor and debtor countries, private banks and multilateral financial institutions. While implementing those recommendations could mean sacrifices, they warranted careful study, since, as the Secretary-General had stated in the foreword to the report, "the future of developing countries and the prospects for renewed growth and expansion of the world economy cannot continue to be held hostage by a debilitating crisis ... precipitated by the debt problem".

30. In an increasingly interdependent world, it was vital to eliminate the differences between the living standard of the poor and that of the rich countries. Eliminating those differences made sense both morally economically speaking, because it meant strengthening international relations on the basis of respect and mutual advantage.

31. Another important aspect of Mr. Craxi's report was the clear link that it established between the debt and the environment. Renewed international co-operation was required to break the perverse spiral of the rise in debt and the destruction of the environment. The idea of releasing resources to finance environmental protection projects should be supported.

32. It was also heartening that the report recognized the need to help the countries of Eastern Europe in their transition to a market economy, in accordance with the provisions of the new International Development Strategy and the Declaration adopted at the eighteenth special session of the General Assembly. The radical restructuring of the economies of those countries, with a view to making them part of the world economic system, would facilitate international co-operation in solving the debt problem.

33. In the Ukraine, the Government was making tremendous economic changes on the basis of a law on economic independence that protected all forms of property and established conditions conducive to issuing shares, bonds and other securities. Foreign capital investments were also hoped for. In order to implement that law, the Ukraine expected to participate more actively in international economic relations and in the activities of the multilateral financial institutions.

34. Lastly, to overcome the debt crisis, it was necessary to co-ordinate the activities of the World Bank, the International Monetary Fund, the Paris Club and State and private banks so as to develop a constructive approach for the benefit of all. Consideration should also be given to the proposal to establish an advisory commission on debt and development that would take into account the interests of all the parties concerned.

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AGENDA ITEM 87: INTERNATIONAL ASSISTANCE FOR THE ECONOMIC REHABILITATION OF ANGOLA (*continued*)

Draft resolution A/C.2/45/L.14, entitled "International assistance for the economic rehabilitation of Angola"

35. Mr. MANSARAY (Sierra Leone), introducing draft resolution A/C.2/45/L.14, said that Afghanistan, Argentina, Colombia, China, Egypt, Gabon, Guinea, Mexico, Nicaragua, Suriname, Togo and Zaire had joined in sponsoring the draft resolution.

36. The draft resolution sought to strengthen co-operation between the Government and people of Angola on the one hand and the United Nations and the international community on the other. The Government of Angola had made commendable efforts towards achieving the objectives established in General Assembly resolution 44/168 on the same subject, and it had maintained its firm commitment to implementing the economic and financial reform programme for overhauling the country's economy by reducing the public-sector debt and liberalizing exchange, trade, pricing and credit policies. His Government was also trying to reach a negotiated solution to the internal conflict.

37. Angola thanked the international community and the Secretary-General for their response to its appeal for assistance. However, given the seriousness of the problems facing it, even more generous international assistance was needed. For that reason, he commended the draft resolution for unanimous adoption, and looked forward to effective international participation in the round table on Angola to be sponsored by the United Nations Development Fund in 1991.

AGENDA ITEM 86: SPECIAL ECONOMIC AND DISASTER RELIEF ASSISTANCE (*continued*)

(b) SPECIAL PROGRAMMES OF ECONOMIC ASSISTANCE (*continued*)

Draft resolution A/C.2/45/L.15, entitled "Special assistance to the front-line States"

38. Mr. MUCHANGA (Zambia), introducing draft resolution A/C.2/45/L.15, said that Swaziland and Suriname had joined in sponsoring the draft resolution.

39. That document was based on previous resolutions on the same subject, to which a few additions had been made. The first was in the third preambular paragraph, the wording of which was borrowed entirely from the Declaration on *Apartheid* and its Destructive Consequences in Southern Africa. Also, the fifth preambular paragraph mentioned the evolving situation in South Africa, because there were forces in that country that opposed the eradication of racism in South Africa and were delaying and impeding the process towards establishing a new constitutional order.

40. Lastly, paragraph 3 had been added to the document in order to draw the attention of the international community to the necessity of alleviating human suffering and adopting rehabilitation and reconstruction measures in southern

(Mr. Muchanga, Zambia)

Africa. In the general debate, his delegation had already spoken of the adverse effects of the undeclared war in southern Africa, and the representative of Mozambique had stated that between 75 and 80 per cent of schools and health services in his country had been destroyed by that war. The undeclared war had cost the lives of 1.5 million people, 50 per cent of whom were children, and there was therefore a possibility of famine in two front-line States in 1990. It was therefore to be hoped that the draft resolution would be adopted unanimously.

Draft resolution A/C.2/45/L.16 entitled "Assistance for the reconstruction and the development of Lebanon"

41. Mr. LUFTI (Jordan) introduced draft resolution A/C.2/45/L.16 and said that Bahrain, Morocco and Tunisia had joined the list of co-sponsors. The war in Lebanon had resulted in enormous damage to private property and the public infrastructure. The United Nations and the international community had contributed generously to the reconstruction and development of Lebanon, but much more needed to be done.

42. The draft resolution was almost identical to the document adopted the previous year, and once again called upon the organs, organizations and bodies of the United Nations system to intensify their programmes of assistance. Lebanon, which had contributed enormously to the cultural, financial and commercial prosperity of the region in the post-war period, deserved all of the international community's help. It was to be hoped that the draft resolution would be adopted by consensus.

Draft resolution A/C.2/45/L.17 entitled "Operation Lifeline Sudan"

43. Mr. LAGU (Sudan) said that in the last few years the Sudan had suffered enormously because of the drought, which had affected most parts of the country during two consecutive seasons. The situation had been further aggravated by the armed conflict in the southern part of the Sudan, which had caused a large movement of people towards the North, depriving the agriculture of the South of a stable labour force, which had in turn resulted in a food shortage in the area. Furthermore, the Sudan continued to be host to one of the largest number of refugees from neighbouring States, with whom it had to share its meagre food resources.

44. His Government was doing its utmost to remedy the situation and had, for example, increased the area under irrigation to compensate for the lack of rain. It was hoping for a wheat harvest to ensure self-sufficiency in that crop; had introduced new crops such as wheat, corn and lentils; was providing agricultural inputs well in advance of the season; and had suspended the export of cereals and taken adequate measures to combat smuggling of agricultural products.

45. At the request of the Government, a FAO crop assessment mission was scheduled to visit the Sudan in November to determine exactly the food aid required.

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(Mr. Lagu, Sudan)

46. With regard to Operation Lifeline, the Government had met all its commitments with regard to the transport of food to the affected areas and, as had been confirmed by the Under-Secretary-General for Special Political Questions in his statement of 23 October 1990, had been making tremendous efforts to restore the communications infrastructure. In addition, the Government had created safe corridors for the free passage of food and non-food supplies intended to alleviate the suffering of innocent civilians. It was to be hoped that the Committee would adopt the draft resolution by consensus.

Draft resolution A/C.2/45/L.18 entitled "Assistance to Mozambique"

47. Mr. SANGA (United Republic of Tanzania), speaking on behalf of the sponsors, which had been joined by Afghanistan, Cameroon, Egypt, Gabon, Ghana, Indonesia, Japan, the Libyan Arab Jamahiriya, Mali, Myanmar and Togo, introduced draft resolution A/C.2/45/L.18. He recalled Security Council resolution 386 (1976) of 17 March 1976 and General Assembly resolution 43/208 of 20 December 1988, in which the Secretary-General and the international community had been requested to provide financial, technical and material assistance to Mozambique. After referring to the report of the Secretary-General on emergency assistance to Mozambique (A/45/562), he expressed his confidence that the Committee would adopt the draft resolution by consensus.

Draft resolution A/C.2/45/L.20 entitled "Emergency assistance to Somalia"

48. Mrs. HASSAN (Egypt), speaking on behalf of the sponsors, which had been joined by Chile, Jordan, Maldives, Rwanda, Singapore and Suriname, introduced draft resolution A/C.2/45/L.20. She said that, as confirmed by the United Nations Mission during its visit to Somalia in 1989, attacks by armed bands in rural and urban areas of southern Somalia had caused massive movements of people and enormous damage to the infrastructure and essential public services. After pointing out that Somalia was among the least developed countries and hence needed outside help in providing food, medicine and housing for the displaced persons, she expressed her conviction that the Committee would adopt the draft resolution by consensus.

49. Mr. KRUIDERINK (Officer in charge of the Regional Bureau for Latin America and the Caribbean Region of the United Nations Development Programme) presented the report of the Secretary-General on the Special Plan of Economic Co-operation for Central America (A/45/622) and pointed out that one of the three characteristics of the Plan was that it concentrated on those economic and social aspects which were directly linked to the preservation and consolidation of peace and that that was what made it "special". He noted that the implementation of the Plan had moved forward thanks to the progress achieved in the regional peace and democratization process, as reflected in the joint presidential declaration of Alujuela, Costa del Sol, Tela, San Isidro, Montelima and La Antigua. The Central American Presidents were focusing their attention on economic issues, including the social costs of the adjustment process of the economies and the launching of the subregional economic integration process as shown by the Declaration and Economic Plan of Action adopted at La Antigua (Guatemala) in June 1990.

(Mr. Kruiderink)

50. The Special Plan of Economic Co-operation for Central America provided a framework and established priorities for international regional development co-operation. UNDP, the lead agency for implementation of the Plan, had financed the design of a computerized information system to facilitate aid co-ordination. The system was in operation, and it was expected that its first report would be distributed in November 1990. Furthermore, so far as the mechanism approved for implementation of the Plan was concerned, assistance was being provided to the Central American Governments in preparing the documentation required for mobilizing resources from the international donor community. Those activities were financed by UNDP's Special Programme Resources and by multilateral and bilateral co-financing.

51. At the first meeting of Central American Governments with co-operating Governments and institutions, held at Geneva in July 1989, it was decided to hold sectoral and thematic meetings to mobilize resources. In June 1990, the first international meeting of the Follow-Up Committee of the International Conference on Central American Refugees was held in New York at which the recipient countries submitted 59 projects and $98.8 million were pledged. Furthermore, Governments, regional institutions, UNDP, United Nations agencies and multilateral financing institutions were taking steps to convene sectoral meetings with donors during the first quarter of 1991 for financing projects in such areas as agriculture, telecommunications and road networks. Progress had also been made in mobilizing resources to finance projects in social sectors, undertaken by UNICEF and the Pan American Health Organization (PAHO). The Central American Governments had requested UNDP to finance an inter-agency mission, with the participation of the World Bank and the Inter-American Development Bank, for the purpose of creating a regional facility for selected social subsectors. Lastly, in line with the priorities of the Central American Commission on Environment and Development, UNDP was carrying out a survey of projects in the reforestation and management of tropical forests. A regional agro-forestry programme to benefit small-scale farmers, in areas where soil erosion was a major problem, was also contemplated.

52. The Special Plan of Economic Co-operation for Central America had been endorsed in response to Esquipulas II and it was important to receive international financial support. Furthermore, economic recovery of the Central American countries was indispensable for consolidating the peace process in the region.

53. Mr. MAYORGA CORTES (Nicaragua), speaking on behalf of the Central American countries, said that he was pleased with the report of the Secretary-General on the implementation of the Special Plan of Economic Co-operation for Central America. The new democratic spirit and the renewed capacity for consensus prevailing in Central America further justified the right of Central American Governments to speak with one voice to the international community. The international community had begun to appreciate the capacity for ongoing dialogue and international consultation of the Central American countries, which were working resolutely to promote their own internal processes of détente and reconciliation. The 1989-1990 biennium had been characterized by the persistent effort on the part of each country, within the framework of the regional agreements, to choose the path of

(Mr. Mayorga Cortes, Nicaragua)

negotiation and consultation over that of polarization and war. In the case of Nicaragua, reason and tolerance had triumphed over intransigence and violence.

54. The past five years had seen significant changes on the Central American political scene, especially peace-building in the region and the establishment and gradual consolidation of democratic régimes. Out of the new political situation the necessary conditions were being created for resumption of the regional integration process, which was virtually at a standstill. The task was a difficult one and had to be tackled over the medium and long term.

55. The Central American integration process had begun three decades before. During the first of those decades, major gains in subregional co-operation had been made but thereafter the energy problem in the decade of the 1970s and the breakdown of the socio-economic order in the decade of the 1980s, as a result of the most serious economic, social and political crisis that Central America had ever experienced, had hampered the process of co-operation in the subregion. Considerable adjustments and structural changes had been necessary, with the social and political costs that they implied, and a different regional development strategy for the 1990s had had to be introduced. In that connection, the adoption of specific measures would be the best test of the political will for regional co-operation, proclaimed at the summit meetings of the Central American Presidents.

56. In that context, the Special Plan of Economic Co-operation for Central America had yielded positive results in the task of devising medium-term and long-term policies and in identifying the activities that should be promoted within the region in order to enjoy the benefits of the economies of scale afforded by the integrationist process.

57. The information on the status of implementation of the Plan provided in the Secretary-General's report (A/45/622) was adequate and accurate. The section dealing with the review of the macro-economic framework confirmed that the main constraints imposed by the economic crisis, such as greater vulnerability to outside factors, the contraction of the subregional common market, the flight of capital and the brain drain, the slump in investment and the large numbers of displaced persons and refugees which the Special Plan was designed to meet, still remained. One very positive fact, not only for the country but for the region as a whole, had been the progress achieved in solving the political/military conflict in Nicaragua - one of the constraints identified when the Special Plan was adopted. Similarly, the continuing processes of dialogue in El Salvador and Guatemala gave room for some optimism that the remaining constraints might also be removed.

58. With regard to the emergency programme of the Special Plan, assistance was being duly provided to refugees, returnees and displaced persons through the work of the International Conference on Central American Refugees and the emergency Programme in favour of Displaced Persons, Refugees and Returnees. Much the same could be said for food aid and urgent energy needs. With respect to the programme of immediate action, economic recovery and social development, its implementation should be accelerated. In order to do so, greater international financial support

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(Mr. Mayorga Cortes, Nicaragua)

would have to be obtained and more time than the three years originally contemplated for executing the programme was required. In the past two years, greater progress could not have been achieved in respect of programmes covering the emergency phase, because in most of the region's countries, the necessary conditions of economic stability and growth were lacking to promote the reactivation and recovery of the subregional economic integration programme, one of the main targets of the Special Plan. It should be borne in mind that the stabilization and the economic adjustment programmes currently had a medium-term target of five to seven years and that, in the case of Central America, the Special Plan of Economic Co-operation was intended to complement internal efforts and earmark additional resources for promoting the development which each country should pursue notwithstanding the severe internal constraints.

59. Nicaragua emphasized the importance of the interaction between advances in the political field and the possibility of successfully completing the implementation of the Special Plan. It therefore attached great importance to national political reconciliation and concerted action in the economic and social fields as fundamental instruments for the consolidation of peace, the preservation of democracy, respect for human rights and the promotion of development.

60. Democratic processes and dialogue currently predominated in Central America. The summit meeting at Antigua, Guatemala, had enabled the Central American Presidents to re-evaluate the economic and social situation in Central America and the Declaration they had issued contained the basic elements for promoting regional development. It was therefore appropriate that the Special Plan should give formal support to the proposals and content of the Central American Economic Plan of Action under which Nicaragua was seeking to strengthen the process of peace and democratization and to combine it with the promotion of economic and social development.

61. Although the Central American initiatives for peace and development were continuing, no substantial improvement had yet been seen in the economic and social situation. The integrating effect of the Special Plan had yet to be fully felt. Assistance programmes under the Special Plan must be accelerated and strengthened, taking into account the new possibilities and directions for development in the region.

62. Allowing for normal differences from one country to another, the 1980s had been a period of marked economic and social decline for Central America as a whole. Imports of goods essential for development had had to be cut back, some basic development programmes in the social sectors had had to be abandoned or drastically reduced, and a painful adjustment process had had to be gone through. Also, the sharp decline in investment and the deterioration of their productive capacity and physical infrastructure had prevented most of the countries from continuing with their pattern of growth and development and satisfying the basic needs of their population, thus exacerbating political and social problems.

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(Mr. Mayorga Cortes, Nicaragua)

63. In 1989, the economies of the Central American countries had continued to demonstrate those financial imbalances which had prevented them from making a clear start on reactivating economic growth. One of the major restrictions in that connection continued to be the unfavourable evolution of the external sector. Poverty and unemployment had reached unacceptable levels. Accordingly, Nicaragua shared the view expressed in the report of the Secretary-General that extreme poverty, the inequitable distribution of the costs of economic adjustment and the social situation in general threatened the attainment of lasting peace and stability in Central America.

64. Although, in general terms, it could be said that the criteria used to determine the priority fields of action had been taken into account in the implementation of the Plan, the countries of the region believed that over the next few years greater efforts should be made to secure more resources on more concessional terms, to strengthen the capacity of Central America to generate authentically regional projects, and to advance more rapidly with the institutional strengthening of the various Central American integration bodies, while at the same time seeing to it that peace was maintained and consolidated and that the Plan was consistent with government priorities, as required.

65. The General Assembly should renew the mandate of the Special Plan of Co-operation at the current session for an additional period of three years in order to allow the fulfilment of the objectives established and to ensure the continuity and coherence of ongoing programmes and projects, thus helping the countries of the region and the co-operating community to assign resources efficiently.

66. Nicaragua reiterated the appeal made by the Governments of Central America to the international community and the specialized agencies of the United Nations, at the thirty-seventh session of the UNDP Governing Council, for support for the request for the allocation of $20 million from UNDP Special Programme Resources to finance activities of the Special Plan already under way or about to begin under the fifth programming cycle (1992-1994).

67. Nicaragua was convinced that the initiative of the Special Plan was an undertaking that would contribute progressively and in parallel to other advances and would confer a greater degree of rationality and a more transcendent vision on economic and social progress in Central America. The Plan was a vital instrument for enhancing regional economic development and thus the advance towards an increasingly encouraging political evolution, marked by the unmistakable will of the countries of the region to foster democracy within their borders, to promote tolerance and understanding and leave behind the spectre of war in order to consolidate a firm and lasting peace. All that would be possible if, in addition to their own efforts, the countries of the region could count on the firm support of the international community.

68. Mr. MISSARY (Yemen) complained that the report on assistance to Democratic Yemen (A/45/669), requested in resolution 44/179, had been distributed late. However, he thanked UNDP for the speed with which it had been prepared. The report

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contained information on the flood damage suffered by Yemen and the economic repercussions of the Gulf crisis, including the return home of Yemeni expatriates. The report also stated that a total of $3.6 million had been approved for assistance in rehabilitation and reconstruction. However, those funds had been approved prior to resolution 44/179 and it was clear, therefore, that they corresponded not to that resolution but to an earlier one on the same subject. Yemen therefore wished to stress once again to the international community its need for the assistance referred to in that resolution.

69. He explained that aid from IMF/World Bank was given in the form of loans on favourable terms and was not free of charge. He welcomed the role of UNDP and the assistance received from intergovernmental and non-governmental sources. He was confident that the flow of aid would increase, given the circumstances facing the country.

70. He reminded the Committee that Democratic Yemen had become the Republic of Yemen on 22 May 1990 and should appear in documents under that name.

71. The CHAIRMAN said that the name of the Republic of Yemen had already been used in documents that had come out since the report.

72. He announced that Afghanistan had joined the sponsors of draft resolution A/C.2/45/L.9 on assistance for the reconstruction and development of the Republic of Yemen.

AGENDA ITEM 12: REPORT OF THE ECONOMIC AND SOCIAL COUNCIL (continued)

(h) ASSISTANCE TO THE PALESTINIAN PEOPLE (continued) (A/C.2/45/L.12)

73. The CHAIRMAN announced that Afghanistan and Namibia had joined the sponsors of draft resolution A/C.2/45/L.12, entitled "Assistance to the Palestinian people".

The meeting rose at 5.20 p.m.

UNITED NATIONS
General Assembly
FORTY-FIFTH SESSION
Official Records

SECOND COMMITTEE
27th meeting
held on
Wednesday, 31 October 1990
at 10:00 a.m.
New York

SUMMARY RECORD OF THE 27th MEETING

Chairman: Mr. PAPADATOS (Greece)

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AGENDA ITEM 83: EXTERNAL DEBT CRISIS AND DEVELOPMENT (continued)

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The meeting was called to order at 10.15 a.m.

AGENDA ITEM 83: EXTERNAL DEBT CRISIS AND DEVELOPMENT (*continued*) (A/45/334, 380, 531, 584 and 656; A/C.2/45/L.5)

1. Mr. VAN BRAKEL (Canada) said that many developing countries had realized that a debt strategy could be effective only if they pursued stabilization and structural adjustment policies. While the Brady Plan provided an important framework for the orderly reduction of commercial bank debt, debt reduction alone was not enough. The effects of debt reduction would be marginal unless debtor countries pursued strong economic policy reforms. The adoption of such reform programmes with the International Monetary Fund (IMF) and the World Bank therefore remained at the heart of the debt strategy.

2. The financing of development was crucial. Financial resources must be adequate and used constructively and effectively to finance growth and development. It was not just a question of how much; it was also a question of how well money was spent. That was particularly important in the light of the heavy demands for capital and the constraints on both official and commercial bank financing. Foreign direct and domestic investment must assume a greater role; indeed, it had already begun to do so. Economic reforms should have a central objective, namely, the creation of a domestic environment conducive to attracting new non-debt-creating investment flows and generating increased domestic savings.

3. Canada had played an active role in helping to shape the international debt strategy. It had forgiven the official development assistance (ODA) debt of the sub-Saharan African countries, and that of the least developed countries. In April 1990, Canada had announced the forgiveness of ODA debt amounting to $Can 182 million owed to Canada by Commonwealth Caribbean countries. To date, Canada had forgiven more than $Can 1 billion of ODA debt and, since 1986, it had provided official bilateral aid to all recipient developing countries on an all-grant basis.

4. The Paris Club's application of the Toronto terms in debt rescheduling for the poorest countries had made a real contribution to debt relief. Canada therefore welcomed the decision of the Houston Economic Summit to ask the Paris Club to continue to review additional measures and the implementation of the Toronto terms for the poorest countries.

5. Many lower middle-income countries, whose debts were largely owed to official creditors, might not benefit significantly from commercial bank debt reduction, nor from the special treatment accorded to the poorest countries. Canada therefore welcomed the consensus decision of the Paris Club to lengthen repayment periods and to permit debt-to-equity swaps and other types of debt conversion in the rescheduling of debt of countries implementing strong economic reform programmes.

6. The soundness of a case-by-case approach, whereby different mechanisms were developed to address the diverse problems of debtor developing countries, had been vindicated. The search for a "global solution" was simplistic and unrealistic, and multilateral financial institutions continued to be the best forums for the

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(Mr. Van Brakel, Canada)

elaboration of practical and effective programmes to combat external indebtedness and revitalize growth and development. The General Assembly's strong support for the strategy and programmes adopted by multilateral financial institutions would be an important contribution to the international effort to deal effectively with those serious problems.

7. Mr. BROWNHILL (Australia) said that indebtedness was often self-perpetuating. In many developing countries, large proportions of government revenue and export earnings had to be allocated for debt service, rather than for investments in infrastructure, human resource development or much-needed social programmes. At the same time, as a result of low levels of domestic savings, increasing demands for investment capital and high budget deficits in the major industrialized countries, interest rates remained high and the currencies in which the debt was denominated remained strong. For that reason, efforts to reduce fiscal imbalances in the United States and other industrialized countries were welcome.

8. All parties concerned were responsible for seeking a durable solution to the debt problem. Debtors must attempt to improve national policies and implement structural adjustment programmes which would promote sustainable economic development, enhance creditworthiness and encourage inflows of external finance. The major economic powers must work together in order to ensure continued vigorous growth of the global economy in the 1990s. They must also establish a more effective means of lowering international interest rates and stabilizing the international economic environment. The case-by-case, growth-oriented approaches to debt reduction supported by the World Bank and IMF could also be useful tools.

9. The international economic environment would be vastly improved by the reform of the international trading system. The expansion of international trade opportunities would serve to promote the growth of developing countries. His delegation hoped for the successful outcome of the Uruguay Round of multilateral trade negotiations which were scheduled to end in Brussels in December 1990.

10. While certain developing countries, mostly in Asia, had good debt-servicing records, that did not necessarily mean that they were able to finance national development. The very countries which were servicing their debts were also increasingly burdened by them. The Asian region still contained most of the world's poor and a reduction in external assistance should not be their reward for the adoption of sound structural adjustment policies.

11. Mr. ROMERO (Philippines) said that, in the search for solutions to the debt crisis, there had been many suggestions originating from both creditor and debtor nations. While debtor Governments had complied with initiatives such as those outlined in the Baker Plan and the Brady Plan, creditors had generally ignored debtors' proposals on ways of lowering their level of indebtedness.

12. It had been estimated that the first oil shock of 1973 had resulted in $US 260 billion in additional external debt for the non-oil-producing countries. The total external debt of the developing countries was currently estimated at

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(Mr. Romero, Philippines)

$US 1.2 thousand billion. In 1988 alone, net capital transfers from those same debtor countries in respect of debt servicing had amounted to some $50 billion. Those amounts had not been offset by so-called "new monies".

13. His delegation wished to propose alternative solutions to the debt burden of the heavily indebted developing countries, which included the Philippines. First, interest due on debt should be waived for the next three years. Secondly, payment on debt principal, or a portion thereof, should be resumed in the tenth year, and the total ending figures should be restructured accordingly. Thirdly, private commercial banks, which constituted the largest group of creditors, should write off at least 15 per cent of private debt, since banks had already provided for loan-loss reserves. If the first three alternatives were not acceptable, creditor countries should accept the principle of a cap on debt-servicing payments by debtor countries in the amount of 15 per cent of total foreign exchange earnings. Lastly, the United States, which had forgiven approximately $US 7 billion owed by Egypt in respect of arms sales should apply the same principle to the Philippines and other countries in similar situations. As was well known, the United States maintained in the Philippines the largest military bases outside the continental United States.

14. While his delegation had not had the opportunity to discuss those proposals with the Group of 77, it was certain that the members of the Group would support them. The debtor nations required a suspension of such reverse capital transfers. The developing countries were not mendicants; they were seeking a form of debt relief which would be mutually satisfactory to all parties.

15. The debt problem of developing countries should be resolved at the political level. In the light of the current oil crisis, the international debt problem could not be solved unless creditor Governments took the initiative. The Philippines hoped that the debt of poor nations would not be considered purely as a business transaction between creditors and debtors. External debt reflected relationships among nations, and creditor Governments should make representations with creditor banks in order to accommodate debtor countries' needs. The debt relief programme would not only strengthen the economies and political stability of developing countries but would also ensure continued viable and harmonious relationships among Governments and among debtor and creditor countries.

16. Mr. SILOVIC (Yugoslavia) said that the worsening debt crisis constituted a grave threat to the economic, social and political structure of the developing countries with negative consequences both for the creditor countries and for the international economy as a whole. The debt burden would be alleviated only with the creation of appropriate conditions for the revival of growth in developing countries. However, the success of domestic policies geared towards restructuring productive capacities and promoting savings and exports would depend upon a favourable international economic environment.

17. Yugoslavia was seriously concerned by recent developments in the Uruguay Round, which might cause the interests of the weaker countries to be ignored. Only

(Mr. Silovic, Yugoslavia)

the balanced outcome of the Uruguay Round would ensure that the developing countries had access to the markets of developed countries.

18. Growing debt-service obligations had turned traditional capital-importing countries into capital-exporting countries; indeed, the net transfer of resources from developing to developed countries was one of the most serious consequences of the debt crisis. The debt and development problems of the developing countries had been further exacerbated by the Gulf crisis and its repercussions on the world economy. The resulting rise in oil prices and inflationary pressures had slowed the economies of developed countries thereby perpetuating stagnation in developing countries.

19. Yugoslavia welcomed the new initiatives on debt proposed by the United Kingdom, France and the Netherlands, as well as the proposals contained in the report of the Secretary-General's Personal Representative on Debt (A/45/380). In particular, his delegation supported the proposal that the Brady Plan should be strengthened and provided with more resources and co-ordinated management from an agency within the international financial institutions; working closely with the regional banks; that the poorest countries' debt-service obligations should be fully written off as a supplement to the Toronto formula; and that indebted countries should be able to pay interest on bilateral debts into trust funds in indexed local currency to finance development projects for environmental protection and human resources development. Finally, Yugoslavia supported the proposal that non-concessional bilateral debt should be converted into longer term credits on International Development Association (IDA) terms.

20. Miss SEALY (Jamaica) said that the debt burden remained a major constraint on policies implemented by developing countries to control inflation, promote domestic savings, attract investment and increase their international competitiveness. The debt problems of the oil-importing developing countries had been accentuated by the rise in oil prices, interest rates and other costs caused by the Gulf crisis.

21. The consensus outcome of the eighteenth special session of the General Assembly and the negotiations on the new international development strategy were indicative of the growing international recognition of the developing countries' debt problems. Jamaica endorsed the conclusion of the Secretary-General's Personal Representative on Debt that any solution to the debt crisis must involve all components of the system. It applauded the Canadian example in writing off the bilateral debt of Jamaica and other Caribbean countries and welcomed the "Enterprise for the Americas" initiative by the United States on the economic and social problems of Latin America and the Caribbean.

22. Jamaica supported the proposals by the Special Representative to strengthen the Brady Plan and those by the Economic Commission for Latin America and the Caribbean (ECLAC) to capitalize upon the potential value of the Plan. Jamaica was particularly concerned by the lack of flexibility shown by multilateral financial institutions in dealing with debt. The lack of opportunities for refinancing or rescheduling meant that many countries were repaying substantially more than they received in new loans, with a resulting net transfer of resources to those

(Miss Sealy, Jamaica)

institutions. While Jamaica would not advocate any solutions which would endanger the health of multilateral financial institutions, it welcomed the attention given to the problem of resource transfers by the Personal Representative and believed that appropriate ways of relieving debt burdens could be found without impairing the high standing of multilateral financial institutions in financial markets.

23. Finally, Jamaica would favour the creation of a facility under a single institution, perhaps an existing institution, to deal with all debt-relief operations.

24. Mr. STEIN (United States of America) said that a wide range of measures was available to support the heavily indebted developing countries' efforts to achieve sustainable development and strong economic growth. External debt constituted only one aspect of the economic problems faced by developing countries. It was essential for the debtor countries to achieve long-term, dynamic economic growth and for that reason the strengthened international debt strategy had adopted a growth-oriented approach to debt reduction activities. Several countries, whose combined commercial external debts accounted for more than one half of all such debt in the world, had already availed themselves of the strengthened international debt strategy through comprehensive reform programmes, proving that the strategy provided a sound institutional framework for the management of commercial external debt problems. Since technical competence for the administration of that strategy resided with the international financial institutions, it was essential to preserve their independent and financial standing and the United States could not therefore support initiatives aimed at securing debt forgiveness from those institutions.

25. Although prospects for growth in assistance flows from the United States were limited by budgetary constraints, its bank disbursements for bilateral and multilateral development were still expected to exceed those of 1989.

26. The United States had also undertaken a major initiative to forgive economic assistance loans totaling $844 million made to sub-Saharan African countries with reform programmes supported by IMF or the World Bank. The United States "Enterprise for the Americas" initiative complemented the strengthened international debt strategy and had already been accepted by the Latin American countries, with the assistance of international financial institutions. By opening their economies to investment and trade and accepting free-market policies, those countries would benefit from a $7 billion reduction in the official debt owed on United States Government credits and aid funds.

27. In view of the sharp decline in private resource flows to severely indebted countries, economic policies must be devised to boost confidence in the economies of those countries and to attract increased investment. Debtor countries must also be encouraged to implement structural economic reforms such as privatization and deregulation.

28. Internal actions by the severely indebted countries must be accompanied by corresponding measures by the developed world to strengthen the international

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(Mr. Stein, United States)

financial institutions. The United States accordingly welcomed the proposed increase of 50 per cent in IMF quotas. The developed countries must continue to make direct aid available to the developing world's market economies and to foster world economic growth through appropriate policy co-ordination.

29. Mr. ZHANG Yeshi (China) said that very little progress had been achieved in the past eight years towards a durable and comprehensive solution to the debt problem. Since the world economy was an integrated whole, the debt problem was bound to affect all nations. Solution of the debt problem was therefore a shared responsibility.

30. The revitalization of economic growth and development in the debtor countries must be the major objective in resolving the debt problem. Debt-servicing must not take precedence over development and must be adapted to debtor countries' capacity to pay. At the same time, in order to enable debtor countries to carry out their adjustment and development programmes, the flow of development financing to developing countries must be substantially increased.

31. While the solution of the debt problem required efforts by the debtor countries themselves, it also required a favourable international economic environment. That was particularly true for the poorest debtor countries in Africa, which were highly vulnerable to external shocks. In many cases, the external environment was an obstacle to the success of structural adjustment programmes. The solution of the debt problem must therefore take into account the various external factors which affected debtor countries. Comprehensive compensatory measures, including emergency measures, were also needed as a means of offsetting losses caused by external factors.

32. Debt-reduction measures must encompass all types of debts owed by all developing countries. The current debt strategy focused on the poorest and heavily indebted middle-income debtor countries, but the debt problems of other countries must not be ignored. The debt strategy must also deal with the problems of those debtor developing countries which had thus far not benefited from existing debt relief and debt-reduction measures. In conclusion, it would be important to implement the provisions relating to debt contained in the Declaration on International Economic Co-operation adopted at the eighteenth special session of the General Assembly and in the proposed new international development strategy. His delegation hoped that the United Nations would be in a position to play a more positive role in the quest for a durable, just and comprehensive solution to the debt problem.

33. Mr. WORONIECKI (Poland) said that the debt burden posed a particularly serious obstacle to the growth of indebted countries that were undergoing transition and structural adjustment. The measures applied thus far to alleviate the debt problem had proved inadequate. A satisfactory, just and durable solution to the problem could be achieved only through enhanced international co-operation aimed at creating a supportive external environment, improving relationships between debtor and creditor countries, placing greater reliance on multilateral schemes involving

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(Mr. Woroniecki, Poland)

the international financial institutions and a more coherent response from the banking community. The granting of debt relief and concessional financing must take into account both recipients' promotion of human rights and peace and their adoption of sound reconstruction and development policies.

34. The required package of policy measures must comprise: debt reduction and debt relief, including a reduction in interest rates; a resumption of capital flows to indebted countries; and the expansion of the world economy and increasing liberalization of the international trading system. While creditors must bring real interest rates down and increase opportunities for debtor country exports, the debtor countries must create a favourable climate for business, adhere to sound market-economy rules, pursue economic restructuring and attract foreign investment by raising investment return and enhancing investment guarantees. They must also preserve political and social stability.

35. Debt reduction was a logical precondition for any solution to the debt crisis. Without a solution, political difficulties could occur which threatened democracy, particularly in newly emerging democracies. His delegation was therefore heartened by the indication given by the President of the United States of America at the annual meeting of the Boards of Governors of IMF and the World Bank that he intended to extend the Brady Plan to the countries of Eastern Europe and to provide assistance to newly emerging democracies for their massive restructuring efforts.

36. At the beginning of 1990, Poland had embarked upon a bold programme of stabilization, liberalization and economic reform intended to bring down inflation quickly and permanently and initiate the transition to a market economy. Inflation had been brought down below 10 per cent and internal convertibility of domestic currency had continued with a highly stable rate of exchange. However, the crisis in the Middle East had had an adverse impact on the Polish economy. The increase in fuel prices threatened to bring back high inflation. That together with the loss of markets in the former German Democratic Republic and the Soviet Union and Poland's debt burden of $43 billion might have serious economic and political consequences. Given that Poland's peaceful internal democratic reforms and transition to market economy were serving as a model for other Eastern European countries, the subregion's security and fragile stability could be undermined.

37. Poland was therefore counting on a display of international solidarity to help States that were implementing Security Council decisions at high social and economic cost to themselves. Poland had proposed that an international mechanism should be established under the auspices of the United Nations or IMF, through which a share of the surplus profits of oil-exporting countries could be allocated to the most severely affected oil-importing countries. The Managing Director of IMF had recently recognized that the Eastern European countries that were undertaking reforms were particularly vulnerable to the latest oil shock.

38. The numerous initiatives, including the Brady Plan, that had been proposed to solve the crisis, testified to a growing appreciation of the plight of indebted

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(Mr. Woroniecki, Poland)

developing countries and growing support for those countries. Debt-reduction measures which generated growth and demand, together with a renewed flow of funds to support domestic self-help efforts, could thus herald a new era of co-operation.

39. Mr. FALL (Senegal) pointed to fluctuating interest rates as evidence that indebtedness was a barrier to development financing. High interest rates throughout the 1980s had reduced opportunities for borrowing, causing a slowdown in investments; and had resulted in the transfer of $18 billion from the developing to the developed countries between 1983 and 1987. Indeed, external assistance was the only financial flow which had remained stable.

40. Referring to the debt strategies introduced since 1982, he said that the Toronto agreement could yield positive results if creditor countries refrained from applying market interest rates to long-term rescheduling. Otherwise, the technique of extending maturities would be pointless. The Paris Club's classic rescheduling measures were of limited value. His delegation preferred measures such as the African Common Position on debt, which recommended concerted action by all those involved. The Organization of African Unity (OAU) had proposed holding in-depth consultations in order to prepare for an international conference on the external debt of African countries. Such a conference would enable donor countries and African States to discuss the African debt with a view to the urgent adoption of short-, medium- and long-term measures.

41. Other promising initiatives included the Proposals contained in the report of the Personal Representative of the Secretary-General on Debt (A/45/380) and the proposal put forward by the Director-General of the African Development Bank at the Special Session of the General Assembly devoted to international economic co-operation, held in April 1990. That proposal had called on the international community to consider the possibility of establishing an international debt restructuring mechanism which would support growth and reforms in developing countries. The mechanism would be partially financed by savings realized on peace-keeping expenditures, which had become available as a result of the relaxation of tensions in the world.

42. Since the beginning of the debt crisis in 1980, Senegal had sought assistance with its balance-of-payments problems from the Paris Club and had virtually renounced commercial credits in an effort to improve its debt profile. It had spared no efforts in order to honour its obligation towards its creditors.

43. Creditors, however, also had a crucial role to play in the matter. Based on commitments they themselves had undertaken, and in a spirit of genuine international co-operation, Senegal had requested creditors to reschedule its debt on more favourable terms than in the past, including an extension in the repayment and grace periods; lower interest rates and commissions; and an increase in that portion of the debt which could be rescheduled - previously rescheduled debts and multilateral debts were not eligible a second time. He wished to note that Senegal had not yet taken advantage of the options offered by the Brady and Baker Plans.

(Mr. Fall, Senegal)

44. While rescheduling had enabled Senegal to close the gap in its financial obligations, its debt had remained high because of fluctations in its export earnings. The urgency of the situation demanded effective action by the creditor community, including a significant reduction in debt and debt service for low-income countries; a substantial increase in the flow of concessional resources towards those countries; the adoption of restructuring policies over a much longer period at softer interest rates in cases where debt could not be simply written off; and a fair price on the international market for commodities exported by developing countries. Other measures which should be undertaken included restoring the confidence of investors who viewed debtor countries as a high risk and relaxing the sanctions imposed on debtor countries which were in arrears. The industrialized countries should also provide sufficient assistance to ensure the success of the economic growth policies implemented by developing countries. In that connection, Bolivia, the spokesman for the Group of 77, would introduce a draft resolution on economic stabilization policies. His delegation intended to participate actively in the preparation of that draft resolution.

45. Mrs. HASSAN (Egypt) associated herself with the views expressed on behalf of the Group of 77 by the representative of Bolivia at the 25th meeting. While the complex issue of external debt could be dealt with only by the multilateral financial institutions, there were broader social and political aspects that could be discussed by the Committee. Thus far little, if any, consideration had been given to the social and political realities of debtor countries. The international community's growing awareness of the deteriorating situation of indebted developing countries therefore augured well for the chances of finding fair and lasting solutions to the debt problem.

46. While the new initiatives to deal with the debt crisis recognized the political and national-security implications of the problem and provided for debt and debt-service reduction. They remained too limited, being restricted to certain categories of countries. She therefore welcomed the recommendation of the Secretary-General's Personal Representative on Debt that lower-middle-income countries with large official debts should be viewed as a separate category and their debt burden reduced.

47. Debt reduction should be consistent with the capacity of debtor countries to pay as well as their requirements for growth and development. Debt-reduction and relief measures should serve as a springboard to promote future reforms.

48. Efforts to combat high real interest rates and protectionist tendencies in the developed countries must be stepped up. The multilateral financial institutions must also make further efforts to improve the international economic and financial environment by mobilizing additional resources on concessional terms. The pace of economic reform should also be tailored to the situation obtaining in a given country. Reform should be consistent with national plans and objectives and not inflict undue sufferings on the population - the concept of "adjustment with a human face" should be applied more effectively.

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(Mrs. Hassan, Egypt)

49. For a solution to the debt crisis to be viable, it must acknowledge the interrelationship between debt, trade, development and the interdependent nature of the world economy. Thus the three fundamental components of a real solution were: viable structural adjustment programmes; new flows of capital in addition to debt-relief and debt-reduction measures; and the establishment of an external environment conducive to growth and development.

50. Mr. MISSARY (Yemen) said that his delegation shared the concern expressed by many others at the continuing stagnation in the developing countries. The countries of Africa and Latin America and a number of those in Asia had witnessed a fall in per capita income over the past decade, while the industrially developed countries had achieved steady growth. External debt was the major factor in the problems impeding growth and development in the developing countries, and it imposed an intolerable burden on them.

51. The measures thus far taken had failed to mitigate the external debt problem. Certain aspects of the initiatives proposed in the 1980s had been welcome, but had proved inadequate thereby further aggravating the crisis. The steps taken by creditor countries to deal with the bilateral official debts of the least developed countries should not be ignored. His delegation looked forward to the emergence of a new spirit characterized by a conviction on the part of all creditor countries that they must cancel the debts of some of the least developed countries and by the participation of all the international financial institutions and commercial banks in addressing the debt problems of the developing countries. Any debt strategy for the developing countries must extend to all debts and to all debtor countries.

52. His delegation believed that there was a close link between debt and the net transfer of resources from the developing countries to the developed countries. During the period 1983 to 1989, the Latin American countries alone had suffered a net reverse flow of resources in the amount of some $177 billion. The time had come to elaborate a comprehensive and durable debt strategy combining all the positive aspects of the initiatives proposed.

53. While the developing countries bore the major responsibility for their own development, international support must nevertheless be maintained and increased. His country hoped that during the current decade its partners in development would fulfil the commitment they had undertaken, by providing 0.7 per cent of their gross national product as ODA. During the 1980s ODA had amounted to only one half of that figure, and the upper limit had been only 0.9 per cent. It was to be hoped that the first half of the 1990s would see the fulfilment of the pledges given in international forums in the course of the year.

54. The Republic of Yemen, whose debts combined those of the two States that had united to form it, hoped that the international community would appreciate the seriousness of its indebtedness in the medium and long terms. His Government was exploring the possibility of securing the cancellation of those debts, and would also have to obtain increased resources necessary to promote economic and social development. The measures to be taken in the economic field, particularly the

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(Mr. Missary, Yemen)

encouragement of Yemeni, Arab and foreign investment, the establishment of a free zone at the port of Aden and improved utilization of available natural resources, would be helpful in addressing the debt problem and mobilizing sufficient resources to achieve continued growth and development.

55. Mr. OLISEMEKA (Nigeria) said that the development strategies of heavily indebted developing countries had suffered from declining direct foreign investment and industrial production. Nigeria's own external debt had increased tenfold between 1978 and 1988, largely as the result of the sharp rise in interest rates. Africa's total debt stock had risen more than fivefold during the same period, with devastating effect. African countries had often been unable to meet their debt-service obligations.

56. During the 1980s, six African countries had been reclassified from middle-income to low-income countries and the number classified as least developed countries had risen from 17 to 28. If current global economic inequalities were not redressed, that number would most likely increase. The major industrialized countries should therefore muster the necessary political will to solve the debt problem and thereby release the resources needed for development and growth. Effective solutions to the debt problem must be the joint responsibility of debtor and creditor countries as well as multilateral financial institutions and commercial banks. Recent initiatives to reduce debt stock and debt servicing were well conceived, but were not sufficiently far-reaching.

57. The developed countries should rise to the challenges posed by the external debt problem. Effective measures should be devised and implemented to remove other obstacles impeding the economic development of the developing countries. For its part, Nigeria was energetically pursuing the major economic reforms it had begun several years earlier. Nevertheless, the flow of foreign investment capital into the Nigerian economy had not matched the country's expectations or its sacrifices. Profound structural changes were needed in the global economic and financial system.

58. He proposed that a target date should be set for substantially reducing and eventually eliminating all forms of external debt. Direct foreign investment in heavily indebted countries should be increased in order to promote economic development and growth. Commodity prices, which were currently low, should be reviewed with a view to encouraging producers and boosting foreign exchange earnings. Greater flexibility should be displayed by creditors, and consideration should be given to the cancellation of debts or the conversion of debts into grants. Finally, it was more urgent than ever that an international conference should be convened to look for solutions to the crisis.

59. International economic co-operation which did not involve the rectification of existing fiscal imbalances would be of little use to heavily indebted developing countries. Moreover, both developed and developing countries could benefit from a balanced approach to economic matters. The industrialized countries should therefore take advantage of the current favourable international climate to promote

healthy economic co-operation among developing countries. The recommendations of the Secretary-General's Personal Representative on Debt regarding low-income debtor countries were very welcome and should be given active consideration. The same was true for his call for new forms of debt forgiveness, including write-offs of ODA debt, conversion of non-concessional bilateral debt into longer-term credit and increasing the financial resources of the concessional facilities of international finance institutions. Existing trade relations should also be improved, and he hoped that significant progress would be achieved in the Uruguay Round by the end of the year. He also called for an increase in ODA, the elimination of protectionism and the removal of all trade barriers. Existing debt-relief measures should be strengthened in a manner that would also benefit creditor countries, and serious consideration should be given to the proposal by the Secretary-General's Personal Representative concerning an international régime for public debt.

The meeting rose at 12.15 p.m.

UNITED NATIONS

General Assembly

FORTY-FIFTH SESSION

Official Records

SECOND COMMITTEE
28th meeting
held on
Wednesday, 31 October 1990
at 3 p.m.
New York

SUMMARY RECORD OF THE 28th MEETING

Chairman:	Mr. PAPADATOS	(Greece)
later:	Mr. GIANELLI (Vice-Chairman)	(Uruguay)

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The meeting was called to order at 3.15 p.m.

AGENDA ITEM 12: REPORT OF THE ECONOMIC AND SOCIAL COUNCIL (*continued*)

Draft resolution A/C.2/45/L.21 entitled "Revitalization of the Economic and Social Council"

1. Mr. ZULETA (Bolivia) introduced draft resolution A/C.2/45/L.21 on behalf of the member countries of the Group of 77. The sponsors of the draft resolution believed that the report on the revitalization of the Economic and Social Council, requested by the Council in its resolution 1990/69, should be considered in detail as a separate agenda item of the forty-sixth session of the General Assembly. The draft resolution was being submitted for that reason.

Draft resolution A/C.2/45/L.24 entitled "Code of Conduct on Transnational Corporations"

2. Mr. ALVAREZ (Mexico) introduced draft resolution A/C.2/45/L.24 and said that the text of the code of conduct had been circulated in the annex to document E/1990/94. He added that the international community had long been interested in having a legal instrument in that field. That had been confirmed in a series of informal consultations.

3. Recently, the importance of direct foreign investments for both investors and the recipients of financing had finally begun to be realized. The international community must therefore support the draft resolution and adopt a code of conduct which would govern the relations between transnational corporations and Governments.

Draft resolution A/C.2/45/L.25 entitled "Prevention and control of acquired immunodeficiency syndrome (AIDS)"

4. Mrs. HJELT af TROLLE (Sweden) introduced draft resolution A/C.2/45/L.25 and said that Brazil and Thailand had joined as sponsors. She summarized the most important elements of the document, drawing attention, in particular, to the need to respect the human rights and dignity of AIDS-infected persons. She also expressed the hope that the draft resolution would be adopted by consensus.

AGENDA ITEM 86: SPECIAL ECONOMIC AND DISASTER RELIEF ASSISTANCE (*continued*)

(a) OFFICE OF THE UNITED NATIONS DISASTER RELIEF CO-ORDINATOR (*continued*)

Draft resolution A/C.2/45/L.22 entitled "Strengthening of the Office of the United Nations Disaster Relief Co-ordinator"

5. Mr. ZULETA (Bolivia) introduced draft resolution A/C.2/45/L.22 on behalf of the member countries of the Group of 77 and announced that some corrections must be made to the text.

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(Mr. Zuleta, Bolivia)

6. Paragraphs 4 and 5 should be merged into one paragraph. To that end, the words "and invites" should be added at the end of paragraph 4, and "calls upon" should be deleted at the beginning of paragraph 5. Paragraph 6 would then become a new paragraph 5.

(b) SPECIAL PROGRAMMES OF ECONOMIC ASSISTANCE (continued)

Draft resolution A/C.2/45/L.19 entitled "Assistance for the reconstruction and development of Djibouti"

7. Mr. AL-TAYEB (Saudi Arabia), introducing draft resolution A/C.2/45/L.19, announced that Gabon and Turkey had joined as sponsors. He summarized the most important elements of the document and expressed the wish that the Committee would adopt it by consensus.

8. The CHAIRMAN informed the Committee that Burkina Faso had joined the sponsors of draft resolution A/C.2/45/L.15 entitled "Special assistance to the front-line States" and draft resolution A/C.2/45/L.18 entitled "Assistance to Mozambique".

AGENDA ITEM 83: EXTERNAL DEBT CRISIS AND DEVELOPMENT (continued) (A/45/334, 380, 531, 584, 656; A/C.2/45/L.5)

9. Mr. MUCHANGA (Zambia) supported the views expressed by the Chairman of the Group of 77 and expressed his delegation's appreciation for the report of Mr. Bettino Craxi (A/45/380), which added new dimensions to efforts to resolve the external debt problem of developing countries.

10. Both that report and the report on the recent evolution of the international debt strategy (A/45/656) led to the conclusion that mishandling the debt problem would not do anyone any good. The degradation of the environment, illegal drug production, migration to developed countries with a better economic situation, poverty, malnutrition and rising illiteracy rates were among the by-products of the debt crisis, and their effects would be felt across the entire globe. Clearly, then, the interests of creditors coincided with the well-being of debtors.

11. The developing countries required additional financial flows. In that connection, his delegation had noted with interest the proposal to establish a Mediterranean development finance institution in order to stimulate public and private investment, although it recognized that the idea was also motivated by the desire to control immigration into Europe. The countries of southern Africa which participated in the Southern African Development Co-ordination Conference (SADCC) had also requested the establishment of a financial institution similar to the proposed Mediterranean development bank, but donors had paid little attention to the idea. None the less, southern Africa required urgent rehabilitation and reconstruction measures in order to deal with the adverse effects of an undeclared war. His delegation therefore hoped that the proposal to create a southern African development finance institution would receive the support of the international community.

(Mr. Muchanga, Zambia)

12. The debt problem was also aggravated by the imposition of excessive premiums on the imports of developing countries within the framework of aid programmes. That could end up offsetting additional aid received. Such overpricing, tied aid and restrictive business practices in developed countries could create costs equivalent to the current volume of external debt in some developing countries.

13. His delegation supported the proposal to create an agency within the Bretton Woods institutions to co-ordinate debt-reduction operations. With regard to GATT, the current situation in the Uruguay Round did not offer encouraging signs that trade would be liberalized to levels that would enable the developing countries and the countries of Eastern Europe to undertake structural-adjustment programmes that would lead to productivity gains.

14. In conclusion, his delegation reiterated the call made by the Organization of African Unity in 1987 for the convening of an international conference on debt. The practical result of debt-relief efforts must not be the creation of new debt, as frequently occurred with debt-rescheduling operations.

15. Mr. AMAZIANE (Morocco) said that the principal causes of the external debt crisis of the developing countries had been the loss of exports due to increased protectionism in the markets of the industrialized world, the replacement of imports by synthetic substitutes, the deterioration in the terms of trade and rising interest rates. The radical transformation of the world economic climate in the 1980s had stripped of their meaning the decisions taken and predictions made by the developing countries on the basis of the situation in the 1970s.

16. In the view of his delegation, the developed countries thus bore the main responsibility for the debt crisis in the developing countries, that debt amounting to one half the gross national product of the developing world and approximately twice its export receipts. The debtor countries, whose debt was a function of the changes in international interest rates, had been forced to implement structural-adjustment programmes that not only had yielded mediocre results, but had also brought about social upheaval in a number of those countries. The external debt had thus become a grave threat to the social and political stability of those countries.

17. At the social level, the debt crisis had led to a drastic reduction in expenditure for education and health and a decrease in the purchasing power of the average citizen, a rapid expansion of the non-structured sector of the economy and growing transfrontier migration by persons who, often illegally, were seeking a decent and dignified existence in other countries.

18. With regard to the initiatives taken unilaterally by the creditor countries in an attempt to redress an already intolerable situation, he referred to the Baker Plan, which in 1985 had proposed the resumption of loans to the developing countries in debt and had been greeted with little enthusiasm by the international financial institutions and commercial banks, and also to the summit meeting held in Toronto in 1988, at which the seven main Western industrialized countries had

(Mr. Amaziane, Morocco)

adopted various measures to alleviate the official external debt of the poorest developing countries, in particular those of Africa south of the Sahara, albeit without reducing real interest rates. The 1989 Brady Plan had called for a voluntary reduction, for 17 developing countries with average receipts, of 20 per cent of the outstanding debt through various mechanisms, such as debt buy-back, conversion into investments and granting of new credits. Later, the number of countries that could avail themselves of such debt-reduction measures had risen to 39. But like the afore-mentioned debt reduction initiatives, the Brady Plan was insufficient for helping the developing countries to overcome the grave scarcity of financial resources afflicting them. In addition to their other shortcomings, all those initiatives also called for the implementation of structural-adjustment programmes approved by the International Monetary Fund and the World Bank; such programmes not only were of limited effectiveness but also had an adverse social impact on the developing countries.

19. His delegation expressed its appreciation for the report of the Personal Representative of the Secretary-General on Debt, (A/45/380), and commended it in particular for not situating the problem of the debt crisis in the context of economics and finance, but rather for seeing it as an ethical issue that obligated the rich countries to show solidarity with the poor countries. It made no sense to regard the crisis as reflecting normal relations between creditors and debtors, which in reality was a conflict between human beings, some of them rich and the others poor.

20. Another positive aspect of the Craxi report was that it defined various categories of debt and debtors and suggested solutions geared to each of those categories. In particular, it proposed a new, intermediate category, i.e., lower middle-income countries, for which it recommended concrete debt reduction measures. Another of the Report's commendable recommendations was to set up a Mediterranean bank to face the serious problems created by the debt and also those related to migration, population growth and the environment in the region.

21. Among the report's general recommendations that should be given special attention were the proposals for the establishment of a debt-restructuring agency within the international financial institutions, the creation of incentives for the participation of regional and commercial banks in the mechanisms being set up, the implementation by the developed countries of fiscal policies to reduce considerably interest rates, which were currently very high, the conversion of part of the debt into investments in development projects, environmental protection and the development of human resources, and an increase in official development assistance in order to reach the objective of 0.7 per cent of the developed countries' gross national product.

22. The political consensus reached at the eighteenth special session of the General Assembly must give rise to concrete activities that contributed to strengthening the international debt reduction strategy. In particular, the international community must reach an agreement on the total debt reduction that the developing countries needed in order to free themselves from the heavy debt burden.

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23. Mr. AL-SULAITI (Qatar) said that the debt burden posed a grave threat to many developing countries, whose economic situation had also worsened as a result of the steep decline in raw-material prices during the 1980s. In the case of the countries of West Africa, that development had had a destabilizing impact not only at the economic but also at the social and political levels.

24. The developing countries were not in a position to pay the debt or to reduce their chronic trade deficit, and only the industrialized creditor countries could find a solution to the crisis. On 5 October 1990, the Minister for Foreign Affairs of Qatar had stated in the General Assembly that, as a gesture of solidarity with the Arab States in debt and with the developing countries in general, Qatar had decided to cancel the debt of those countries, and it was to be hoped that other countries would adopt similar measures. Furthermore, it was essential to remove the trade barriers facing the developing countries so that, by increasing their exports, those countries could close the gap separating them from the industrialized countries. The crisis not only had adverse consequences for the development efforts of the debtor countries, but also posed a grave threat to the world economy.

25. Mr. Gianelli (Uruguay), Vice-Chairman, took the Chair.

26. Mr. HAMAI (Algeria) praised the reports of the Personal Representative of the Secretary-General on Debt (A/45/380) and said that the external debt crisis, far from being merely a question of monetary and financial arrangements, was basically a major political problem in international economic relations, as could be seen from the failure of all the monetary and financial arrangements that had been tried out to date. There were still attempts to apply selective, ad hoc solutions, when what was needed was to work out an international strategy encompassing all dimensions of the problem - political, economic, social and human. In that regard, he thought it fitting that the item under consideration should be entitled "External debt crisis and development", since the debt burden was now the main obstacle to development.

27. The international development strategy for the fourth United Nations development decade, adopted by consensus, placed the debt crisis in a global perspective of equity, constructiveness and solidarity, highlighting, in particular, the spirit of solidarity that must govern economic relations between the members of the international community. For that reason, the measures provided for in the strategy, including those concerning the debt crisis, must be implemented in strict compliance with that text, and every State must fulfil the obligations it had entered into in that regard.

28. For their part, the developing countries would have to pursue their efforts to adopt appropriate economic policies. It should be pointed out, however, that those countries already bore the burden of the economic reforms which they were implementing, but had yet to see the results, because of an unpropitious international economic environment. Urgent steps were needed to rid the global economic context of the factors which most severely inhibited development, namely,

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(Mr. Hamai, Algeria)

where the debt crisis was concerned, rising interest rates, negative resource transfers, scarce external resources, protectionist barriers and falling commodity prices.

29. The current rise in the price of oil was due mainly to speculative manoeuvring outside the Organization of Petroleum Exporting Countries (OPEC), which had endeavoured to resolve the situation by increasing production. Furthermore, the circumstances surrounding the price rise precluded any forecasts, since the oil price might very well return before long to its level of a few months previously.

30. In order to find a rapid and durable solution to the crisis, which was of concern to all mankind, it must be approached from a global and concerted standpoint by improving the international economic environment and substantially reducing the debt stock and debt service of all the developing countries.

31. Mr. SILALAHI (Indonesia) said that the perennial question of external indebtedness has caused stagnation and even negative growth in the economies of many developing countries, an increasing number of which were adopting adjustment measures based on sounder economic principles. However, the results were not very encouraging. His delegation considered the Craxi report (A/45/380) to be a very timely document and was gratified to note that the debt issue was being given the attention it deserved and had moved to the top of the international agenda and to a high political level. There was clearly a greater political willingness to address the problem, as was demonstrated by the recent initiatives to reduce the stock of debt and debt service. However, as a complement to such initiatives, multilateral financial institutions should adopt a positive approach to the problem of arrears and provide additional resources to support debt-reduction operations and facilitate adjustment measures. Above all, the initiatives should encompass all types of debt and all categories of debtor developing countries.

32. There was now wide recognition of many major components of the debt issue, i.e. that a solution to the crisis was a prerequisite for the reactivation of development, that the problem was systemic and that a durable solution required growth-oriented policies. In the previous two years, two major changes in international debt policies had opened up a new phase of major potential significance - the decision taken at Toronto to reduce the principal or interest on bilateral official debt for poor countries and the recognition in the Brady Plan of the need for debt relief, especially through the reduction of middle-income countries' debt to commercial banks.

33. For a debt strategy to be effective it should be durable, comprehensive and equitable. A comprehensive strategy should include facilities to assist the heavily indebted countries which had consistently honoured their obligations. In that regard, Indonesia agreed with the Italian delegation that some countries that had managed their economies prudently and had maintained good access to financial

(Mr. Silalahi, Indonesia)

markets had seen an increase in their debt, and official resources must therefore not be diverted from them, since that would entail the risk of spreading the debt crisis and increasing the number of affected countries.

34. Indonesia strongly believed that the economic environment must be improved if growth-oriented policies were to be effective. It therefore recognized the need, as stated in the report, to increase the flows of financial resources and put an end to the fluctuations of major currencies, and trusted that there would be a successful outcome to the Uruguay Round with a liberalization of trade and an increase in export earnings through stabilized commodity prices.

35. His delegation believed that the proposals contained in the Craxi report and other ongoing efforts to achieve a durable, equitable and comprehensive solution to the debt crisis were imperative if growth and sustained development in the developing countries were to be restored. Countries' hopes had been raised by the commitments entered into in connection with the proposals at the eighteenth special session of the General Assembly and in the new international development strategy, and the debt crisis should not be allowed to retard those processes or to continue to frustrate the development efforts of the developing countries.

36. Mr. DEL ROSARIO (Dominican Republic) said that there seemed to be a broad consensus that the desperate socio-economic situation of the developing countries resulting from the very grave problem of external debt was a crisis situation, and that the 1980s could be called a lost decade for development. In the region of Latin America and the Caribbean, the findings of the first phase of the study on poverty were appalling.

37. His delegation agreed with the Director-General for Development and International Economic Co-operation that the debt problem must be solved once and for all and that the increase in the external debt was one of the most serious constraints on developing societies.

38. The Dominican Republic considered that words must be translated into deeds and that agreement must be reached with the creditor countries on rapid and effective plans to ease the crisis. Mr. Craxi's report should be carefully studied by the major economic Powers. The debt could not be repaid on the present terms and no one doubted the truth of that assertion. The time had come to look for solutions, not to assign guilt, and in that context his delegation welcomed President Bush's initiative for the Americas, which it considered to be the basis for a dialogue that could yield positive results.

39. The Dominican Republic hoped that the crisis affecting the debtor countries would bring about a decisive change in the attitude of the creditor countries resulting in increased co-operation between the developed and developing nations, and that that would be reflected in better and greater access to their markets, better debt-payment conditions and increased financial flows to the developing economies. That was the only way of arresting the steady decline in the living

(Mr. Del Rosario, Dominican Republic)

standards of the peoples of the developing countries and the massive legal or illegal immigration to the more developed countries, which were already beginning to feel the strain.

40. Mr. SANGA (United Republic of Tanzania) said that, for the first time since the outbreak of the crisis, the debt problem was being linked to war, poverty and environmental degradation. That new trend of thinking addressed new areas of concern, but ignored the root causes of the problem, which were of a different nature.

41. His delegation understood the rationale behind the proposal, in the Craxi report (A/45/380), for the establishment of new categories of debtor countries which included the Eastern European and North African Mediterranean countries, for which special measures would be applied, such as the possible establishment of a Mediterranean development bank and of an Eastern European payments union with the financial assistance of the EEC. It was difficult, however, to envisage the effectiveness of the measures proposed for the remaining debtor countries, because although both the Toronto initiative and the Brady Plan had very positive aspects, they also had deficiencies. The Brady Plan, in particular, was tied up to non-priority areas for most of the debtor countries.

42. It was true that protection of the environment was vital, but it was not appropriate to link the payment of interest on bilateral debts into trust funds in indexed local currencies to the financing of development projects for environmental protection and human-resource development. Creditors and debtors should be the only ones responsible for negotiating the financing of agreed projects. It was very difficult, even from the non-technical point of view, to suggest ways and means of solving the debt problem that could also address the problems of war, poverty and environmental degradation by considering only political and social scenarios and leaving out economic aspects. Linking the debt problem to efforts to end poverty and preserve the environment was tantamount to addressing the symptoms of a disease rather than its root causes. The proper course of action was to ensure the implementation of General Assembly resolutions 44/212 and 44/228.

43. Tanzania fully agreed that the debt problem could be resolved only in a climate of generalized growth, in both debtor and creditor countries. The political and social solutions proposed in the report were inadequate to address the debt problem, and the envisaged trickle-down effect to other debtor countries was unlikely to materialize in the foreseeable future.

44. For Tanzania and other commodity-dependent countries, favourable terms of trade, access to world markets, stable and predictable commodity prices and opportunities for commodity diversification could provide viable solutions to the debt problem. Any proposal for a solution to Africa's debt problem that ignored the problems of the commodity sector, particularly of sub-Saharan Africa, could not be realistic. That was why Africa had shown so much interest in the proposal for the establishment of a commodity diversification fund, but that proposal was not mentioned either in the Craxi report or in the recommendations of the report of the Group of Experts on Africa's Commodity Situation.

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(Mr. Sanga, Tanzania)

45. In that respect, Africa would have found great merit in the report if the new proposals had also included measures for reactivating the existing commodity agreements as well as improving the effectiveness of the various schemes that were currently in place to compensate shortfalls in export earnings, including the IMF Compensatory and Contingency Financing Facility, the EEC System of Stabilization of Export Earnings - STABEX - and the system for stabilizing export earnings in the mining sector and the Common Fund for Commodities.

46. His delegation hoped that the Secretary-General would come up with more concrete recommendations for solving the debt problems of those countries that did not fall within the new category of debtor countries proposed in the Craxi report. In that regard, his delegation welcomed the new initiatives of the United Kingdom contained in the Trinidad package and those of France and the Netherlands for debt relief for the poorest developing countries made during the Second United Nations Conference on the Least Developed Countries.

47. Mr. TRAORE (Mali) said that the external debt crisis of the developing countries was the salient feature that would be the mark of the lost development decade; moreover, it was likely to threaten, for a long time to come, any hopes of improving the world economic situation, at least as far as the developing countries were concerned.

48. The Craxi report (A/45/380) provided a definite solution for ensuring that the crisis did not get worse and setting the international community on the right course, thus reconciling political discourse with economic practice. The report should also help allay the concerns of creditors regarding the consequences of a radical solution to the external debt crisis of the developing countries. Since the beginning of the crisis, only the quantitative aspect of the problem had been considered, and that had tended to create a psychosis in international opinion. Moreover, the debt had grown almost exponentially, from $700 billion to the current figure of around $1,300 billion.

49. The third world was a marginal world which played a very minor part in the world economy. The United Nations should try to correct that situation, taking advantage of the reduction of international tension, with a view to establishing a new international economic order. It must be recognized that so far, the results of the various global negotiations had not been very encouraging, from the North-South dialogue of the 1970s to the successive postponements, from one session to another, of important questions the examination of which could have helped bring the positions of the North and the South closer together.

50. The Craxi report (A/45/380) contained everything necessary to spark the creativity of the parties concerned in seeking solutions to a crisis in which the future of mankind was at stake. All that was missing was political will on all sides, and particularly on the part of the developed countries, whose policy decisions, no matter how secondary, affected all ends of the earth and set the pace for economic activity throughout the world.

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(Mr. Traore, Mali)

51. The asymmetry of the structures and schemes that perpetuated the dependency of the developing countries aggravated their debt problem. It was essential to avoid new polarization in the world; international aid should increase the self-financing capacity of the countries that depended on it. In that respect, the net negative transfer of resources of the developing countries gave rise to concern.

52. The proposals contained in the report were in harmony with the positions that had always been held by Africa and the Economic Commission for Africa. For example, the Alternative Framework to Structural Adjustment Programmes, presented by the African countries, represented an important contribution in the search for a solution, and the international conference on the external debt proposed by the African Heads of State and Government could offer an opportunity to discuss with international and regional financial institutions, bilateral official development-assistance institutions, banks, developing countries and industrialized countries, the mechanisms that would be required to put into practice the proposals outlined in the report.

53. Despite the enormous natural resources of the sub-Saharan African countries and their 30 years of independence, their economic indicators were depressing. Their combined gross national product did not exceed $150 billion and their external debt amounted to almost the same figure. A number of adverse factors affected the region, among them the degradation of the environment, the deterioration of economic and social structures, and economic bottlenecks, to say nothing of the fall in commodity prices and the worsening terms of trade.

54. In the context of that serious debt crisis, Africa and the international community had negotiated the United Nations Programme of Action for African Economic Recovery and Development, derived from the 1980 Lagos Plan of Action and Africa's Priority Programme for Economic Recovery, of 1986. Resumed international co-operation would make it possible to mobilize the financial, scientific and technological resources needed to promote endogenous, participatory and autonomous development by the African countries, which, despite their enormous natural resources, accounted for barely 1.3 per cent of world trade; such co-operation would also help them to benefit from implementation of the institutional reforms and economic policies on which they had embarked.

55. A satisfactory outcome to the Uruguay Round of multilateral trade negotiations was crucial in that regard; within a few months it would become apparent whether the common destiny of mankind was to triumph over selfishness and geopolitical interests, for it was evident that the compensatory financing mechanisms, including the Common Fund for Commodities, were merely palliatives in an intermediate phase leading up to full implementation of the Integrated Programme for Commodities.

56. The increase in poverty in the developing world reflected the serious imbalances that were not being corrected by adjustment policies, which, on occasion, had failed to reactivate economic growth. Consequently, international efforts should focus on the causes of the impoverishment of the developing countries, the scarcity of capital with which to finance development programmes, and implementation of the Integrated Programme for Commodities.

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57. Mr. MAYORGA CORTES (Nicaragua) said that the report of the Secretary-General on net transfer of resources from developing countries (A/45/487) revealed the magnitude of that problem, particularly by giving instances of highly indebted middle-income countries and the sub-Saharan African countries, and offered guidelines for ensuring a sufficient volume of resources to reactivate economies and revitalize development.

58. It was a matter for concern that the negative transfer of resources from the developing countries was not going to cease in the short term and that commodity prices continued to fall, leading to a deterioration in the terms of trade. That situation had chiefly affected the African countries and, to a lesser extent, other highly indebted developing countries whose production base and exports were more diversified.

59. Stabilization of commodity prices and elimination of protectionist barriers to developing countries' products would reduce the need for compensatory financing. Positive results from the Uruguay Round and an opening up of markets in the industrialized countries were important in that regard. It was also important for the developed countries to increase their official development assistance to 0.7 per cent of gross domestic product, a target that had recently been supported by the Nordic countries.

60. Nicaragua considered that the external debt crisis was closely linked to the transfer of resources. Consequently, his delegation paid tribute to the report by Mr. Craxi, Personal Representative of the Secretary-General on Debt, in which that relationship was emphasized. The report also proposed pragmatic, balanced and specific solutions for country groupings, within a systemic approach.

61. Nicaragua supported the view that responsibility for the debt crisis was shared, given that the absence of internationally agreed norms on monetary and fiscal policies and of control of the activities of the banks had prevented regulation and co-ordination of debt growth. Any strengthening of the current debt strategy must include provisions and mechanisms for that purpose. His country also supported a strengthening of the Brady Plan through the creation of legal and institutional mechanisms to co-ordinate the various interested parties' debt-reduction activities. That task, as the report suggested, could be performed by an organization or agency within the Bretton Woods institutions, so as to secure a sufficient flow of resources towards the developing countries, thereby avoiding a resurgence of new debt problems.

62. Adjustment policies were necessary to "put the house in order" through a reduction in financial imbalances, modernization and enhanced competitiveness of production systems and re-establishment of the capacity to obtain and absorb external financial resources. Nevertheless, in addition to its pragmatic aspect, adjustment must have a human dimension, to bring about a proper functioning of the social consultation mechanisms designed to achieve results fully accepted and shared by all segments of society.

63. According to estimates by the Economic Commission for Latin America, per capita output had fallen by 16.6 per cent in Central America between 1980 and 1989, and by 8.3 per cent in Latin America as a whole. In the case of Nicaragua, it had fallen by 33.1 per cent. Over the same period, the purchasing power of Nicaraguan exports had fallen by 46 per cent and its external debt had increased from $1,825 million in 1980 to $7,570 million at the end of 1989, an increase of 314 per cent. According to recent estimates, the Nicaraguan debt currently stood at around $11 billion, and was thus one of the largest in the world in per capita terms. The greater part of that debt was owed to bilateral sources.

64. If it was further borne in mind that unemployment was running at 40 per cent and that the adjustment policies adopted to invigorate the economy had not yet had their full effect, leading to difficulties in controlling inflation, the resultant picture was one of a severe economic crisis in Nicaragua which called for the attention of the international community. With regard to debt reduction, Nicaragua should be treated in the same way as the group of least developed countries, which would mean, according to the classification in the Craxi report, that at least between 60 and 80 per cent of Nicaragua's bilateral debt service should be eligible for writing off by the creditor countries. That alternative would be based on the fact that Nicaragua currently had a per capita income of above $500; however, the integration of some 150,000 to 200,000 persons into the country and the work force as a result of the military demobilization and the return of refugees and persons displaced by the war invalidated any official calculation of per capita output by the international institutions.

65. In general, Nicaragua considered that greater efforts must be made to identify countries experiencing especially difficult circumstances, which must be given better and more concessional access to the resources of the International Development Association, the World Bank and the International Monetary Fund.

66. The recommendations of the Craxi report were compatible with the guidelines and conclusions of the Regional Conference on External Debt, held in Caracas in September 1990 in the framework of the Latin American Economic System and with the regional plan of action adopted on that occasion. The proposals in the plan included specific guidelines regarding different types of creditors and one innovation concerning the method of dealing with the intraregional debt.

The meeting rose at 5.25 p.m.

UNITED NATIONS

General Assembly

FORTY-FIFTH SESSION

Official Records

SECOND COMMITTEE
29th meeting
held on
Friday, 2 November 1990
at 3 p.m.
New York

SUMMARY RECORD OF THE 29th MEETING

Chairman: Mr. PAPADATOS (Greece)

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PREVENTION AND CONTROL OF ACQUIRED IMMUNODEFICIENCY SYNDROME (AIDS)

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(b) SPECIAL PROGRAMMES OF ECONOMIC ASSISTANCE (continued)

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A/C.2/45/SR.29
8 November 1990
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The meeting was called to order at 3.10 p.m.

AGENDA ITEM 12: REPORT OF THE ECONOMIC AND SOCIAL COUNCIL (*continued*)

CONSIDERATION OF THE PROPOSED MEDIUM-TERM PLAN FOR THE PERIOD 1992-1997 AND RELEVANT DOCUMENTS BEFORE THE MAIN COMMITTEES OF THE GENERAL ASSEMBLY (A/45/3, Chap. VI, Sect. C, A/45/6, A/45/16 (Part I) and Add.1, A/45/16 (Part II), A/45/279; A/C.2/45/6)

1. Mr. BLANCA (Director-General for Development and International Economic Co-operation) said that the proposed medium-term plan for the period 1992-1997 had been prepared at a crucial time in the history of the United Nations. The Organization had just emerged from a long and difficult process of reforms, which had lasted three years, and at the same time had been entrusted with new responsibilities. Perhaps for the first time it was in a position to achieve the objectives laid down in the Charter, particularly the maintenance of international peace and security on the basis of economic and social progress.

2. As the Secretary-General had stated in the introduction to the proposed plan, during the period in question, the activities of the Organization would focus on two general priorities: peace-making and peace-keeping activities and enhancement of the well-being of all those who constituted, in the words of the Charter, "the peoples of the United Nations". The proposed programme budget outline for the biennium 1992-1993 had established four priorities: peace-making, Africa, international drug control and the environment and development. The Committee for Programme and Co-ordination had added to that list the economic development of the developing countries. He expressed satisfaction that major programme III had provided for a programme on the critical economic situation and the recovery and development of Africa, which also related to his Office's field of activities. During the implementation of the medium-term plan, Africa should be the focus of concerted and sustained attention by the Member States, intergovernmental agencies and the Secretariat. In his introduction to the plan, the Secretary-General had underscored various specific priority areas, such as the new consensus reflected in the Declaration on International Economic Co-operation, adopted at the eighteenth special session of the General Assembly, and in the international development strategy, the debt crisis, multilateral trade negotiations, the use of technological advances to promote development, the situation of the least developed countries and multilateral technical co-operation.

3. In view of the fact that most of those questions were multidisciplinary and multisectoral and since the United Nations system had only limited resources, it was essential to improve co-ordination in order to ensure the rational and efficient use of those resources. Furthermore, during the six years of plan implementation, both the world situation and the Organization itself might undergo considerable change, which would make it necessary to modify the priorities laid down so that the Organization's activities did not lose relevance. The events taking place during that period included the forthcoming UNCTAD Conference in 1991, the Conference on Environment and Development in 1992, and the International

(Mr. Blanca)

Conference on Population in 1994. The first review on the plan would be carried out in 1992.

4. The Committee should transmit to the General Assembly its views and recommendations on the plan, which would be very useful to the Fifth Committee in its own consideration of the plan.

5. Mr. ZULETA (Bolivia), speaking on behalf of the Group of 77, said that some programmes in the proposed plan under consideration did not give sufficient attention to the legislative mandates adopted by the relevant United Nations bodies, while others set forth concepts and strategies which had not been agreed upon by the General Assembly. Those shortcomings were possibly due to the fact that some programmes had been formulated before the adoption of important documents such as the Declaration on International Economic Co-operation, adopted at the eighteenth special session of the General Assembly, the international development strategy for the fourth United Nations development decade (1991-2000) and the Declaration and Programme of Action for the 1990s for the Least Developed Countries. The Group felt that it was necessary to reformulate some of the programmes contained in the proposed medium-term plan in order to incorporate elements from those documents.

6. In that connection, he said that in the case of programme 12, entitled "Global development issues and policies" and, in particular, subprogrammes 3 and 6 on external debt and development, and development and the environment respectively, no account had been taken of certain legislative decisions on implementation measures. Furthermore, programme 13, entitled "International trade" overemphasized the structural adjustment programmes to be carried out in the economies of developing countries, while the legislative basis actually referred to the structural adjustment of international trade in order to facilitate market access for the exports of developing countries. The structural adjustments should be referred to as they had been defined in the relevant UNCTAD resolutions, which also provided for adjustments in developed countries. Furthermore, programme 13 failed to include an issue considered on many occasions by UNCTAD and the General Assembly itself, for example, in resolutions 38/197, 39/210, 40/185, 41/165, 42/173 and 44/215: namely, the use of economic measures by some developed countries as a means of political and economic coercion against developing countries. That was a practice which the United Nations had rejected and intended to eliminate. Accordingly, the programme should be reformulated in order to include that point. The Group had also felt that priority should be given to subprogramme 4, on transfer of technology, and that that subprogramme should include the question of environmentally sound technologies.

7. With regard to programme 14, entitled "Development finance, resource flows and external debt", the proposed objectives were not in accordance with the measures provided for under General Assembly resolutions 43/198, 44/205 and 44/232. Furthermore, paragraphs 14.5 and 14.6 referred to strategies that had not been formulated by United Nations bodies that were competent in those areas.

(Mr. Zuleta, Bolivia)

8. The Group felt that it was necessary to reformulate subprogramme 1, entitled "External financing and international monetary issues", since it avoided the question of reverse transfers due to existing terms of trade, and stressed that the various United Nations strategies should be in accordance with the provisions of relevant resolutions. The new formulation should take account of recent progress made in the field of development and the transfer of resources, such as the Declaration on International Economic Co-operation, particularly the revitalization of the economic growth and development of developing countries, adopted by the General Assembly on 1 May 1990. Programme 16, on the environment, did not reflect the relationship recognized by the United Nations between environmental problems and development and did not refer to General Assembly resolution 44/228, concerning the United Nations Conference on Environment and Development to be held in 1992. The programme had been formulated from an exclusively ecological point of view. Furthermore, it included the concept of environmental security, which had not been accepted by the General Assembly.

9. He pointed out that those comments did not reflect the definitive position of the Group of 77 on the various programmes of the plan and said that they might serve to illustrate the type of difficulties which the Group had encountered in the proposed plan. The Committee should have further time to conduct a detailed analysis of the programmes in view of the fact that the plan would become the main policy guideline for the United Nations system in the period 1992-1997.

10. Mr. ANDREEN (Sweden), speaking for the Nordic countries, said that the establishment of clear priorities was crucial in order to increase the efficiency and impact of the Organization's work. He was pleased that the Declaration adopted at the eighteenth special session of the General Assembly had been used as a point of reference for the issues of international economic co-operation and believed that the International Development Strategy would be very useful in planning the activities of the United Nations. In that connection, he underlined the role the United Nations could play in human resources development, including the social aspects of development. Recent events had once again demonstrated that the United Nations system had an important role to play in the co-ordination of emergency assistance and humanitarian relief operations, and its capacity in that respect should be strengthened.

11. It was possible that the medium-term plan would undergo far-reaching revisions in terms of the environment and development as a result, among other things, of the conference to be held on that subject in 1992. The Nordic countries therefore regarded that part of the plan as provisional. With regard to the United Nations Centre for Human Habitation (Habitat), it was their view that its work programme should be based on the global strategy, which should also serve as a guide for the medium-term plan.

12. Although the Nordic countries agreed that priority should be given to population issues, they would have liked more clarification concerning the goals of the programme and the results that were expected to be achieved. With regard to the programme on transnational corporations, they believed that it reflected in a realistic and balanced way what could be expected from the work of the United

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Nations Centre for Transnational Corporations and hoped that the Centre would play an increasingly important role, as it was able to take a global view of the various problems connected with such corporations. They also welcomed the increased recognition to be given to the critical situation in Africa, which unquestionably deserved being given continued priority.

13. The Nordic countries looked forward with great interest to the Secretary-General's report on the reform of the work of the United Nations in the economic field and hoped that it would contain substantial proposals. They hoped that the current session of the General Assembly would prove to be the appropriate place and time for pursuing and broadening the debate on those crucial reform issues. There seemed to be general agreement that there was both room and need for further streamlining of the organizational structures so that the United Nations would be able to function more efficiently in the economic and social fields.

14. Mr. DUGAN (United States of America) said that his delegation strongly supported the views of the Advisory Committee on Administrative and Budgetary Questions, as stated in document A/45/617, and urged that its recommendations be endorsed by the General Assembly. If they were, the medium-term plan would become more relevant to the work of the United Nations. The plan, as approved by the General Assembly, was intended to constitute the principal policy directive of the United Nations and the basis for the Organization's programme budgets over the next three biennia. His delegation agreed with the Advisory Committee that the time had come to address seriously the issue of whether the medium-term plan, in its current form, fulfilled the criteria set out in the programme planning regulations and rules and that, despite important improvements in the current draft plan, much remained to be done if it was to be of real use to the Member States and the Secretariat.

15. His delegation shared the Secretary-General's belief that the Organization's objectives for the next six years and into the twenty-first century should reflect the recent positive international developments. The enhanced capabilities those changes had given the Organization, together with the reform process, had renewed the confidence of his delegation and others that progress could and would be achieved in the priority areas the Secretary-General had addressed in his introduction.

16. The Secretary-General's ambitious agenda for the United Nations provided an excellent framework for future efforts. Implementation of the objectives established by the Secretary-General would go a long way towards establishing the world community envisaged by those who had drafted the United Nations Charter almost a half-century ago.

17. It should be noted that the plan included a number of activities which the United States did not support. The reservations it had expressed with regard to those activities at the meetings of the Committee on Programme and Co-ordination remained in effect and would be recorded in the Committee's report.

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18. Mr. FONDI (Italy), speaking on behalf of the twelve member countries of the European Community, said that he was in agreement with the conclusions of the report submitted to the Committee and understood that they could be included in the medium-term plan for 1992-1997 so that they could be approved by the General Assembly at a plenary meeting. He would nevertheless have preferred to consider the conclusions at an earlier stage of the negotiations, before decisions on them were taken. In particular, he hoped that the documents would be available when the medium-term plan was being revised.

19. Mr. TENNEY (Israel) said that the chief goal of the United Nations was to eradicate the seeds of war throughout the world and to promote economic and social development. His delegation deplored the inclusion of the item entitled "Question of Palestine" in the framework of a task so noble; that item, by its nature, had no place among such praiseworthy goals. Israel therefore could not accept the medium-term plan if programme 5 was included in it.

20. The CHAIRMAN put before the Committee a draft decision reading: "The Second Committee, having considered the relevant sections of the draft medium-term plan for 1992-1997 and its related documents, decides to transmit to the Fifth Committee the views expressed by Member States during the debate." If there were no objections, he would take it that the Committee wished to adopt the draft decision.

21. *It was so decided.*

PREVENTION AND CONTROL OF ACQUIRED IMMUNODEFICIENCY SYNDROME (AIDS)

22. The CHAIRMAN announced that Colombia and Costa Rica had joined the sponsors of draft resolution A/C.2/45/L.25, entitled "Prevention and control of Acquired Immunodeficiency Syndrome (AIDS)".

AGENDA ITEM 86: SPECIAL ECONOMIC AND DISASTER RELIEF ASSISTANCE (continued)

(b) SPECIAL PROGRAMMES OF ECONOMIC ASSISTANCE (continued) (A/C.2/45/L.9, A/C.2/45/L.10, A/C.2/45/L.15, A/C.2/45/L.16, A/C.2/45/L.17, A/C.2/45/L.18, A/C.2/45/L.19* and A/C.2/45/L.20)

23. The CHAIRMAN announced that Colombia and Costa Rica had joined the sponsors of draft resolution A/C.2/45/L.9, entitled "Assistance for the reconstruction and development of the Republic of Yemen", A/C.2/45/L.15, entitled "Special assistance to the front-line States", A/C.2/45/L.16, entitled "Assistance for the reconstruction and development of Lebanon", A/C.2/45/L.17, entitled "Operation Survival Sudan" and A/C.2/45/L.20, entitled "Emergency assistance to Somalia"; Costa Rica had joined the sponsors of draft resolution A/C.2/45/L.10, entitled "Special economic assistance to Chad"; Brazil, Costa Rica and Suriname had joined the sponsors of draft resolution A/C.2/45/L.18, "Assistance to Mozambique" and Colombia, Costa Rica and Suriname had joined the list of sponsors for draft resolution A/C.2/45/L.19*, "Assistance for the reconstruction and development of Djibouti".

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AGENDA ITEM 87: INTERNATIONAL ASSISTANCE FOR THE ECONOMIC REHABILITATION OF ANGOLA (*continued*) (A/C.2/45/L.14*)

24. *The CHAIRMAN* announced that Colombia and Costa Rica had joined the sponsors of draft resolution A/C.2/45/L.14*, entitled "International assistance for the economic rehabilitation of Angola".

The meeting rose at 4 p.m.

UNITED NATIONS
General Assembly
FORTY-FIFTH SESSION
Official Records

SECOND COMMITTEE
30th meeting
held on
Monday, 5 November 1990
at 10 a.m.
New York

SUMMARY RECORD OF THE 30th MEETING

Chairman: Mr. PAPADATOS (Greece)

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AGENDA ITEM 83: EXTERNAL DEBT CRISIS AND DEVELOPMENT (continued)

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Distr. GENERAL
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21 November 1990
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The meeting was called to order at 10.15 a.m.

AGENDA ITEM 83: EXTERNAL DEBT CRISIS AND DEVELOPMENT (continued)

1. Mr. ALVAREZ-SOBERANIS (Mexico) said that the recommendations appearing in the report of the Secretary-General on the recent evolution of the international debt strategy (A/45/656) and the report of his Personal Representative on Debt, Mr. Craxi (A/45/380), must be examined in greater depth, particularly by the multilateral financial institutions and the private banks. His delegation fully concurred with the views expressed on the subject in the Declaration of the Ministers for Foreign Affairs of the Group of 77.

2. A settlement of the external debt crisis was of the utmost importance for the future of all countries, whether creditors or debtors. Yet the international community had not been able to find a just, global and lasting solution. The situation had continued to deteriorate, prolonging the problems connected with the net transfer of resources from developing to developed countries, the deteriorating terms of trade and the shrinking flows of external resources. That was due, inter alia, to the deplorable attitude of certain circles in the developed countries, which persisted in prescribing remedies which everyone knew to be ineffective.

3. The debt problem was a complex phenomenon resulting from a number of financial, economic, political and social factors. As the nine Presidents of Latin American countries had reaffirmed at the fourth meeting of the Permanent Mechanism of Consultation and Concerted Policy Action (Rio Group), it must therefore be tackled from the political angle. Any solution must involve the sharing of responsibilities by the international community. The efforts made at the domestic level by the Governments of the indebted countries must be supported and consolidated by concerted action in the international community, geared to the reduction of net transfers of resources to the developed countries and an increase in capital flows to the developing countries. In addition, there must be a substantial reduction in both the stock of debt and debt servicing. The developed countries must also substantially increase the resources made available to the multilateral financial institutions so as to enable them to support, if so requested, countries involved in renegotiating their debt. With regard to international trade, the creditor countries must take urgent and positive steps to facilitate access to international markets for indebted countries' exports, without conditions or discrimination, so as to establish an open multilateral trading system. Lastly, the policies of structural adjustment and economic liberalization applied by the developing countries must be supported by new financial flows, both bilateral and multilateral, for which provision would have to be made in the debt negotiations.

4. Mexico had been able to renegotiate its external debt, but that had not been sufficient to resolve all the problems resulting from excessive indebtedness. The crisis, with the ensuing considerable drain on resources, was undermining the stability of a number of heavily indebted countries, particularly in Latin America. The adoption of new domestic policies, while necessary for a settlement

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of the crisis, was not in itself sufficient to bring about a resolution. His delegation, which shared the concern expressed in the Craxi report and in the Latin American and Caribbean Proposal for a Solution to its External Debt Problem approved in the framework of the Latin American Economic System (SELA), was nevertheless convinced that it was now time to act. That required all parties to demonstrate real political will. The various initiatives taken by the developed countries, such as the Brady Plan or the Toronto initiative constituted a step forward, yet did not tackle the root of the problem. The only way forward was to overcome, by means of a reduction in the stock of debt and debt service, the imbalance between the developed and the developing countries, so that the latter could work to attain their objectives of economic growth.

5. Mr. MARKER (Pakistan) said that the reports of the Secretary-General (A/45/656) and of his Personal Representative on Debt (A/45/380) offered an excellent framework for pursuing an informed discussion of the debt problem, which, despite eight years of debate, persisted in all its gravity. Debt service payments had risen tenfold since 1970 and there had been an overall negative net transfer of resources to the developing countries. In 1988, the negative transfer of resources had totalled in excess of $US 43 billion, of which $US 31 billion had been the share of the 17 poorest countries. The debt of the Latin American countries was more than three times their exports, and in the sub-Saharan African countries the debt equalled the entire GNP.

6. Such a situation could not but obstruct the growth of the developing countries and imperil the functioning of their societies. The Secretary-General's Personal Representative on Debt had rightly stressed the linkage between the debt and social and political instability. However, it was pleasing to note that the debate on the debt crisis had finally produced a better awareness of its nature and magnitude. Several recent initiatives, including the Brady Plan, the Toronto agreement and the latest European proposals, addressed the core of the problem, namely, the need for substantial reductions in the stock of debt owed by the developing countries to commercial banks and official creditors. The Personal Representative of the Secretary-General on Debt had also proposed a wide range of options in that area.

7. The deliberations should not ignore the situation of the low-income countries, whose debt was largely official in nature. Most of those countries had met their obligations in full, but their people had paid heavily in terms of social advancement. It would be regrettable if those countries were penalized, and his delegation had thus been pleased to hear the representative of Italy refer to the countries which had not thus far benefited from the debt initiatives. The Personal Representative of the Secretary-General on Debt had also made an important contribution by advocating the strengthening of the Brady Plan for those countries placed between the poorest and the middle-income categories, whose debt was largely official in nature. Pakistan also strongly supported his appeal to the industrialized countries to increase their official development assistance to 0.7 per cent of their GNP.

(Mr. Marker, Pakistan)

8. The Gulf crisis was particularly devastating for oil-dependent countries with a large current account deficit. It was imperative to ensure that they received timely assistance to forestall major economic dislocation. The Personal Representative of the Secretary-General on Debt had made a number of suggestions in that regard, including a moratorium on interest payments.

9. A durable solution required a marked improvement in the overall external environment. Concerted action was necessary to enable the developing countries to produce and manufacture to their full potential. That required, *inter alia*, reduced interest rates, roll-back of protectionist measures, enhanced co-operation in technology transfer and stabilization of commodity prices.

10. It was also important to bear in mind that the developing countries were aware of their own responsibilities in contributing to solving the debt problem. Most of them had introduced stringent reform measures, but the adjustment process could not be carried beyond a certain point without serious social and political disruptions. In many developing countries, adjustment had already become synonymous with punishment, and it was necessary to impose realistic conditions.

11. No time should be lost in evolving a comprehensive strategy to solve the crisis. Concerted measures could be taken expeditiously at world level, for it was in no one's interest to allow the problem to continue to grow. It needed to be solved before it overwhelmed the fragile economic and social structures obtaining in most developing countries.

12. Mr. JOMAA-GHAZI (Tunisia) said that he was extremely concerned at the persistence and worsening of the debt crisis despite the initiatives that had been taken. Confirmation of the structural and lasting nature of the international economic crisis meant that the debt was perceived as a major issue which called for urgent and concerted action by the international community. In particular, it was necessary to extend and intensify action by the private and public creditors and by the multilateral financial institutions. The industrialized countries, which seemed to have become more aware that they, too, must play a part in finding a gradual solution to the debt problem, must be encouraged to extend the scope and range of the initiatives they had taken for that purpose. Other proposals, however, such as those made in connection with the Brady Plan and the Toronto initiative, had revealed their shortcomings and were far from meeting the requirements of the situation. They scarcely touched on the problems of a good many developing countries, which would continue to be penalized until such time as the necessary measures to assist them were taken.

13. That was particularly true of the middle-income countries, which were at a crucial stage in implementation of their recovery plans and were carrying out costly reforms to secure the well-being of their populations. Tunisia, which fell into that category, had helped draw the attention of the international community to the special situation of those countries which, while continuing to honour their obligations, had thus far been bypassed by the initiatives aimed at reducing the external debt.

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14. Any solution to the debt problem must be lasting, equitable, concerted and geared to growth and development. His delegation thus welcomed the recommendations made by Mr. Craxi in his report, and particularly welcomed the proposals for debt-equity swaps geared to partial privatizations and participation of foreign capital in public and privatized companies; for granting middle-income countries a substantial reduction in official debt, by extending the maturity to 30 or 40 years and reducing interest payments by 60 per cent; for guaranteeing a sufficient flow of public and private funds to the developing countries, particularly by increasing official development assistance to 0.7 per cent of the donors' gross domestic product; and, finally, for creating a bank for the Mediterranean region with a view to financing infrastructures and productive investments as a means of triggering new growth in the countries of the region and putting an end to their serious problems.

15. Mr. ROKOTUIVUNA (Fiji) said that recent events in the Gulf were likely to affect the debt crisis, on account of their repercussions on the international economy, and would thus contribute to worsening the situation in the developing countries.

16. The Bretton Woods institutions, devised for a different era, had shown themselves incapable, by reason of their inflexibility and conservatism, of solving the debt problem. Indeed, if, despite the multitude of meetings and consultations on the matter, the situation had continued to worsen, that was because the will to take the necessary bold measures had been lacking. There was now the possibility of making a quantum leap towards establishing a new economic and social order, but to do so, a genuinely collective approach was needed. In that regard, the proposed text of the international development strategy for the fourth United Nations development decade set the problem in an overall perspective. That strategy, whose goal must be the balanced, equitable and sustainable development of the developing countries, had to be applied in a genuine spirit of co-operation.

17. Fiji was fortunate not to be classified among the most seriously indebted countries, but small island countries were more vulnerable than others to international crises. Yet minor provisions would suffice to remedy their problems without harming the most seriously affected countries. In particular, access to concessional financing should enable them to avoid the fate currently afflicting a number of developing countries. Fiji thus welcomed the proposals made on the subject by Mr. Craxi in his report.

18. With the world in a state of transition, the time had come to act and to take positive measures to settle the problem of crippling indebtedness.

19. Mr. BANDARA (Sri Lanka) said that the causes of the debt problem were to be found in an interdependent world economic system, and that it could thus be solved only by joint action and the concerted efforts of donors, debtors and lenders.

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(Mr. Bandara, Sri Lanka)

20. The developing countries were encountering serious difficulties in restructuring their economies and achieving sustainable economic growth, on account of the extremely unfavourable international economic climate. That climate had further worsened as a result of the Gulf crisis. Sri Lanka was one of the countries most severely affected by that crisis. To the loss of the tea market, one of the most important to its economy, must be added the loss of employment for 100,000 workers and the rise in oil prices. He wished to thank those organizations that had assisted his country in the repatriation of its nationals from the Gulf region.

21. Sri Lanka, which had managed to avoid severe debt problems, now found itself in a difficult situation, and could only concur with the view expressed by Mr. Craxi in his report (A/45/380) that there was a need to continue on the path on which the seven major industrialized countries had embarked in their recent economic summits in order to bring the debt burden of developing countries into line with their capacity to pay and thus to create conditions permitting their renewed growth. Since the debt problem affected the developed as well as the developing countries, it was essential for the international community and the multilateral financial institutions to work together to find a lasting solution to the problem. A concerted effort by all parties concerned was needed for that purpose.

22. Mr. Craxi's suggestion to set up an agency within the World Bank and the International Monetary Fund, to work with the regional development banks in order to solve the debt problems of the heavily indebted regions (Mediterranean Africa and the Middle East, sub-Saharan Africa, Latin America, Asia and Eastern Europe) seemed timely.

23. Several developing countries had recently embarked on bold economic adjustment policies, but, without the necessary assistance from the developed countries, those policies were likely to fail. The developed countries should devote 0.7 per cent of their gross domestic product to official development assistance. Finally, with regard to the effect of rising interest rates on the indebted countries, he suggested that an interest rate subsidy scheme should be worked out to provide relief to those countries.

24. Mr. OVALI (Burkina Faso) stressed that over the past year, the situation in Burkina Faso had grown worse, particularly as a result of the developments in the international situation. His delegation could only agree with the conclusions of the Personal Representative of the Secretary-General on Debt that unless their debts were considerably reduced, the countries of sub-Saharan Africa would be unable to resolve their economic problems.

25. Despite two recent debt write-offs, one by the Danish Government in 1987 for nearly 3 billion CFA francs, the other by the Central Economic Co-operation Fund for more than 60 billion CFA francs, the situation in Burkina Faso had worsened, illustrating the limitations of the Toronto, Dakar, and Baule initiatives and the Baker and Brady plans.

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(Mr. Ovali, Burkina Faso)

26. The question of debt was intimately bound up with the question of structural adjustment and of development financing resources.

27. Burkina Faso, which, had applied structural adjustment as early as 1983 by taking strict measures, particularly with regard to the civil service and salaries, had achieved mixed results. There were three main reasons for that: the trends in the international economic environment were extremely unfavourable for countries of the South; developing countries which had adopted structural adjustment programmes did not receive any real external support; and the current economic situation was such that, ultimately, multilateral financial institutions decided on the type of structural adjustment programmes to be implemented without really consulting the countries involved. That approach, apart from infringing the sovereignty of States, seriously jeopardized the chances of success of such programmes.

28. Solutions must therefore be sought jointly by debtors and creditors. To that end, the African Alternative Framework to Structural Adjustment Programmes for Socio-Economic Recovery and Transformation (CARPAS) proposed valid solutions and warranted further consideration: it was important, in the first instance, to take into account specific national, even regional, circumstances and then plan for not only the short term but especially the medium- and long-term. His country, for its part, was prepared to pursue the necessary adjustment efforts but refused to embark on reforms that were too risky. Referring to the utilization of funds made available to developing countries, he noted that Burkina Faso had set up revolutionary people's courts to consider cases of embezzlement of public funds and corruption. Indeed, the real question was whether the external resources allocated to development financing had ever been sufficient. In the case of the African continent, the answer was no. Moreover, the painful truth was that certain partners, who repeatedly claimed that assistance could not be increased because sufficient resources were not available, had rapidly assembled huge financial resources to assist in the reconstruction of the economies of the Central and Eastern European countries. Many Heads of State and Government had denounced that double standard. It was not fair to give generously to some and, at the same time, refuse to consider solutions which would really provide debt relief for others. Indeed, certain developing countries, which had already taken painful economic recovery measures, deserved recognition of their sacrifices.

29. Burkina Faso shared the views expressed by the Chairman of the Group of 77. The debt problem was becoming more urgent every day and required rapid solutions. An overall framework for negotiations on the debt issue must be contemplated immediately. The common position of the African countries was well known. Considering that the responsibility for their indebtedness was shared by their creditors, they called for the convening of an international conference on the external debt of African countries. It would be a first step towards holding an international conference which might lead to the implementation of a world debt relief policy.

30. U KYAW TIN (Myanmar) reiterated that the problem of indebtedness was only growing worse. The external debt of developing countries had reached $1.2 trillion and interest payments and amortization had nearly doubled from $90 billion in 1980 to $175 billion in 1990. The result was a net transfer of $10 billion from developing to developed countries.

31. Given the magnitude of the problem, the international community had understood the need for a durable and comprehensive solution, based on the principle of shared responsibility. The recent initiatives in that field (the Toronto agreement and Brady Plan) were to be commended. None the less, the measures taken were far from adequate, as stressed by the Secretray-General in his report (A/45/656). For example, for the 15 countries which had benefited from the Toronto terms in 1989, the savings on interest payments over the year had been only 2 per cent of the total debt service, and the overall grant element for those same countries had been about 20 per cent on average. Furthermore, the Toronto agreement focused only on the poorest, highly-indebted countries. Under the Brady Plan, financial resources were not adequate and negotiations were extremely long. It was therefore necessary to come up with a new and innovative approach. Bilateral creditors must take debt relief measures urgently, including, wherever possible, outright write-off of ODA-related debt. Third world debt must be rescheduled on the most favourable terms and all developing countries without exception, must benefit from the measures taken. At the same time, buy-back and debt conversion arrangements must be instituted. Lastly, donor countries should provide developing countries with substantial assistance, mainly in the form of grants.

32. His delegation therefore welcomed the initiative taken by the Government of the Netherlands to write off all official bilateral debts on loans to the least developed countries and other low-income countries.

33. The report of the Secretary-General contained a number of interesting recommendations. Under one proposal which deserved close consideration, countries would be allowed to pay interest on their bilateral debt into trust funds in indexed local currencies to be used for environmental protection and human resource development projects. Finding a solution to the debt problem had become even more urgent because the prospects of the developing countries for economic growth and social progress were jeopardized by the Gulf crisis and the resulting oil shock. The international community must resolutely tackle the root causes of the debt crisis. That implied commitments on the part of both the developed and the developing countries. The developed countries must formulate macro-economic policies which ensured the development of world trade and put an end to abnormally high interest rates. A favourable economic context for the developing countries must also be created by increasing the flow of external resources, improving the terms of trade, stabilizing commodity prices and ending protectionism. That was by no means an easy task but it would be well worth the effort, for not only was the growth of developing countries at stake, but also the economic health of the entire international community. It was imperative to seize the opportunity presented by political détente to act in a spirit of co-operation and compromise in the economic field.

34. Mr. RAICHEV (Bulgaria) noted that the debt problem, where the domestic and foreign aspects were inextricably linked, remained as acute as ever and could not be resolved except in the context of the international community's efforts to find a comprehensive solution to the development quandary.

35. The recent marked improvement in the international political climate was conducive to seeking a consensus and all parties were aware of the need for a comprehensive solution. From that perspective, the analysis of the economic situation presented by the Personal Representative of the Secretary-General on debt and the systemic approach he proposed in his report (A/45/380) constituted a sound point of departure for future activities.

36. The countries of Eastern Europe, which were undergoing a transition to market-oriented economies, were also experiencing the economic consequences of the debt problem. In the case of Bulgaria, the country's considerable foreign debt together with the economic and financial situation created by the Gulf crisis made the ongoing socio-economic restructuring even more difficult. It was, of course, necessary to mobilize all domestic resources and to develop growth-oriented policies, but the serious debt problem could not be overcome without support from the international community and the international financial institutions in particular.

37. Mr. KULKARNI (India) said that the debt problem could not be divorced from the matrix of problems currently confronting the developing countries. The international environment was such that those countries often had to make tremendous efforts just to keep from losing ground. According to the most recent *World Economic Survey*, in 1990 the external debt of capital-importing developing countries would exceed 1989 levels. It was obvious, too, that the Gulf crisis would add to the burden of oil-importing countries. During the next 12 months, his country would foot an additional bill of between $US 2.8 billion and $US 4 billion. The Secretary-General had also drawn attention to the need for short-term, emergency financial assistance to help countries that were adversely affected.

38. Over the past decade, attempts to resolve the debt crisis had been piecemeal, and the need for a durable development context had been overlooked. Thus the net negative transfer of resources from developing countries over the past two years was estimated by the World Bank at more than $US 100 billion. That meant that the developing countries were providing the rest of the world with resources they needed themselves. Furthermore, concessional multilateral assistance was diminishing in real terms, and sometimes even in nominal terms, as the Personal Representative of the Secretary-General on Debt had highlighted in his report. There was thus a need to increase concessional loans and to achieve the target of 0.7 per cent of GNP for official development assistance. Moreover, no new conditions, linked to the environment, for example, should be imposed if such assistance was to benefit development.

39. It should be noted also that, by causing interest rates to rise, the policy decisions taken by the industrialized countries during the 1980s had aggravated the debt problem.

(Mr. Kulkarni, India)

40. One of the shortcomings of the current strategy was its asymmetric character: indebted developing countries bore the brunt of adjustment measures while concurrent adjustments were not being made by the developed countries. Also, both the Toronto initiative and the Brady Plan were being implemented too slowly.

41. The liberalization of trade and increased access to developed country markets for developing country exports would have a beneficial effect on the repayment capacities of developing countries. Less than two months away from the conclusion of the Uruguay Round, his delegation hoped that the decisions reached in those negotiations would help to solve the debt crisis.

42. The Personal Representative of the Secretary-General on Debt had rightly highlighted in his report the need for all creditors to adopt a systematic approach, the need to identify a category of debtors between the poorest countries and middle-income countries, and the importance of selective, growth-oriented adjustment programmes.

43. The developing countries' growing debt must be eliminated by means of measures to protect countries that had thus far managed to service their debt in spite of low per capita incomes. The development and constructive participation of those countries in the international economy would suffer if the crisis should overtake them. Addressing their concerns would thus forestall an even worse crisis.

44. Removing the barriers to growth while taking specific measures to alleviate the debt burden would do much to help the international community in its quest for peace and prosperity.

45. Mr. SARDENBERG (Brazil) said that what was erroneously referred to as the "foreign debt crisis" was much more than a set of financial problems, although it had undeniable economic and social, and even political, implications. For more than a decade, his country had suffered the consequences of international foreign-debt management which did not adequately reflect the imperatives of economic development. All efforts to date to promote sustainable growth that would ensure a more just and humane social order and stabilize Brazil's foreign accounts had been hampered by the country's heavy debt-servicing burden.

46. Any effective solution to the debt problem must take into account the capacity of debtor countries to generate net inflows of capital, for net outward transfers destablilized a country's economy and prevented the country from paying back its debts. The solutions worked out with creditors in the past had only been palliative, obliging Brazil to suspend debt-servicing payments. Repayment schedules must be compatible with the factors conditioning a country's development, as capacity to pay was dependent on a resumption of growth. It was from that perspective that Brazil had recently presented international creditor banks with an innovative proposal based on the assumption that safeguarding a debtor country's economic development was essential to ensuring the country's capacity to repay its debts. The proposal consisted basically of issuing bonds Government-backed which would amortize the entire external debt, including interest, over 45 years. During

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(Mr. Sardenberg, Brazil)

that period, the country would accumulate the necessary resources, which would be transferred annually to creditors through quarterly auctions of the bonds, whose market value would approach the nominal value of the debt as creditors gained confidence in the Brazilian economy.

47. Parallel with that proposal, Brazil was endeavouring to modernize its economy. A courageous new economic plan was intended to restimulate investment and bring about sustained economic growth. It consisted of fiscal and monetary stabilization and a set of structural reforms. For those reforms to be successful, however, a constructive strategy for dealing with foreign debt was required. The Brazilian Government trusted that creditors would take into account its determination to pay off its debt without jeopardizing stability and economic growth.

48. Creditors and debtors should devise a new strategy for world financial relations which would inject a new realism into foreign-debt management, recognizing the close links which existed between international trade, foreign debt and economic growth. Current models of refinancing invariably resulted in a vicious circle: payments were made at the expense of development, which in turn led to a deterioration in repayment capacity. A viable solution to the external debt problem was in the interest of creditors as well as debtors. The current strategy was too dependent on the interests of commercial banks. Creditor country Governments should become more actively involved in solving the debt problem and look beyond the short-term preoccupations of some segments of the banking community. While the Brady Plan constituted a positive move, the initiative launched in June 1990 by President Bush ("Enterprise for the Americas") represented a significant conceptual development, since it linked trade, investment and debt, the three pillars of co-operation between the United States of America and Latin America.

49. Brazil was ready for dialogue and negotiation with its creditors. The latter must realize that the restoration of the Brazilian economy to health was in their own interest.

50. Mr. SHOOGUFAN (Afghanistan) said that many developing countries were unable to reactivate their growth because of their indebtedness, which was due to the current state of trade and an inadequate international monetary and financial system. Faced with net outflows of capital, the debtor countries had been obliged to generate trade surpluses, not by increasing their exports but by reducing their imports, which resulted in falling consumption and decreased investment.

51. Numerous solutions had been proposed and, while the problem was still far from being solved, the industrialized countries had ackowledged the need to reduce the principal and the service of debt. Practical measures to help debtor countries recover their previous growth rates were yet to be adopted. There was a need to combine comprehensive agreements with emergency measures tailored to the situation in certain debtor countries, which would enable them, in particular, to end the net transfer of resources and to guarantee stable interest rates. For their part, the debtor countries must release the resources necessary for economic development.

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(Mr. Shoogufan, Afghanistan)

52. With regard to the least developed countries, the recently adopted Programme of Action of the Second United Nations Conference on the Least Developed Countries would alleviate the burden of external debt of many least developed countries. His delegation welcomed Trade and Development Board resolution 165 of the United Nations Conference on Trade and Development (UNCTAD), as well as the recent decisions of the Paris Club. Afghanistan was convinced that the implementation of the measures proposed by the Personal Representative of the Secretary-General on Debt would facilitate a solution of the external debt crisis.

53. Mr. RAO (World Bank) said that, for several years, the developing countries and the international financial system had struggled to overcome the problems created by excessive indebtedness, which hampered development and weakened financial institutions. The response to the crisis had evolved over time, but the object of that endeavour had always been to restore a financial environment conducive to development, and it had been recognized that three elements were involved: a favourable external environment, a strong programme of domestic adjustment and external financial support to restore growth in the medium term.

54. A certain amount of progress had been made. For the severely indebted countries, which accounted for more than half the overall debt of the developing world, the debt service ratio had declined from 38 per cent in 1987 to 29 per cent in 1989, and there had been a slight decrease in the ratio of debt to exports, although it still exceeded 300 per cent. There were several reasons for those improvements, in particular export growth and measures to buy back or exchange external debt.

55. In the severely indebted low-income countries, the problem was rooted in structural weaknesses which were difficult to remedy. Those countries' debt was primarily official and, since 1988, the forgiveness of bilateral official development assistance (ODA) debts had reduced their debt by more than $5 billion. The Paris Club had rescheduled almost $6 billion of bilateral official debt under the terms of the Toronto Economic Summit. Commitments of Structural Adjustment Facility (SAF) and Enhanced Structural Adjustment Facility (ESAF) funds to the severely indebted low-income countries had totalled almost $2 billion in special drawing rights (SDRs) as of August 1990. However, the current programmes were not adequate to deal with cases of very high indebtedness. Several proposals were under consideration, including debt forgiveness and greater concessionality in rescheduling arrangements for IDA-only countries. Together with the appropriate institutional reforms in the countries concerned, those measures should enable low-income countries to revitalize their growth, even if the Gulf crisis represented a serious set-back.

56. For the middle-income countries, the most important change in the last year had been the alleviation of commercial debt and debt service, and Japan had indicated its willingness to co-finance certain policies adopted by the World Bank and the International Monetary Fund (IMF). Experience indicated that it was possible to reduce debt on a case-by-case basis. Such operations, combined with a credible programme of macro-economic adjustment, significantly improved the

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(Mr. Rao, World Bank)

financial viability of debtor countries. Inflows of private capital and domestic investment could then resume in a more favourable environment. Private debt-to-equity swaps had also proven to be an effective approach to debt reduction. In that way Chile had managed to reduce or convert $9 billion, or 40 per cent, of its external debt.

57. Despite that progress, there were still many areas of weakness. First, the low-income countries could not sustain their development without a real increase in the flow of concessional assistance. Those countries needed to increase their domestic savings, and the aid they received could be better co-ordinated and utilized. However, their finance needs were well in excess of current financial flows, particularly if oil prices remained high. Secondly, the share of official debt remained excessively high while inflows of private capital to severely indebted middle-income countries were much too low. Thirdly, some of those countries owed most of their debt to official creditors. Rescheduling by official bilateral creditors provided temporary relief; however, that was not always enough because the extent of indebtedness was too severe. In some cases, measures to reduce the current value of debt and/or debt service would need to be considered. In order to prevent a recurrence of the problem, it was imperative that such measures should be accompanied by suitable structural adjustment.

58. In the light of the Gulf crisis, it was becoming increasingly urgent to address the weaknesses in the measures that had currently been adopted. The immediate impact of the crisis had been higher oil prices, the loss of workers' remittances and other costs associated with repatriating workers. If oil prices remained high, there would be a continuing additional burden of higher import costs and a higher debt-servicing burden because the crisis would raise international interest rates. The magnitude of the impact of the crisis would depend on what happened to oil prices. Assuming that the average price of a barrel would be $29 in 1991, the annual impact on the oil-importing developing countries would be about 1 per cent of their gross domestic product (GDP), or less than during the last major oil price increase. However, the crisis could have a much more severe impact on certain countries. In those circumstances, there would be a real danger that countries' growth and adjustment measures would be derailed because of financing pressures. The World Bank was considering measures - emergency loans, accelerated disbursements and additional adjustment assistance - which would enable countries to respond flexibly to needs as they emerged. If the mistakes of the 1970s, which had contributed to current indebtedness, were to be avoided, it would be necessary to strengthen domestic adjustment; such measures could include the passing of oil price increases to consumers; the adoption of prudent monetary and fiscal policies to restore viability to the balance of payments, taking account of the external financing situation; and structural reforms to restore the momentum of growth.

59. The limited availability of external resources continued to be a major problem for developing countries. While net flows of resources had probably increased in 1990, not all of them represented financing available to pay for additional imports, since they often represented debt-to-equity swaps or support for the

(Mr. Rao, World Bank)

aquisition of collateral against financial instruments used for debt and debt-service reduction. Thus, net imports of goods and services had not risen since 1987.

60. The countries of Eastern Europe, which were making the transition to market economies, were encountering special difficulties. Poland's external debt was nearly five times the level of its exports. In all of those countries, the obsolete capital stock must be replaced and higher costs of oil imports must be paid, just when the Council for Mutual Economic Assistance (CMEA) was being dismantled. Financing needs had been estimated at $15 billion, or 5 per cent of those countries' GDP for the period 1990-1992. Capital inflows would most likely be official flows, since private inflows were unlikely to increase until the stabilization phase was over.

61. In the longer term, the key problem for all developing countries would be their ability to attract private capital. In order to do so, they would have to make use of various financial instruments, old and new, which provided attractive combinations of risk and return. For example, foreign direct investment would be available to countries which could increase their exports and improve their infrastructure, provided that satisfactory arrangements could be made for remittances. Other possible instruments for mobilizing external funds included project- and trade-linked finance, "country funds", leasing, joint ventures, the issuing of bonds and equity in external markets, and the use of multilateral guarantees. However, debtor countries must improve their credit worthiness. To a large extent, that would depend on the success of their adjustment efforts to overcome the structural and financial impediments to growth. The debt problem would be solved only if debtor countries and the international financial system continued their co-operation with a view to designing, implementing and financing structural adjustment and growth.

The meeting rose at 12.15 p.m.

UNITED NATIONS
General Assembly
FORTY-FIFTH SESSION
Official Records

SECOND COMMITTEE
31st meeting
held on
Monday, 5 November 1990
at 3 p.m.
New York

SUMMARY RECORD OF THE 31st MEETING

Chairman: Mr. PAPADATOS (Greece)

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The meeting was called to order at 3.20 p.m.

AGENDA ITEM 83: EXTERNAL DEBT CRISIS AND DEVELOPMENT (*continued*) (A/45/334, A/45/380, A/45/531, A/45/584, A/45/656; A/C.2/45/L.5)

1. Mr. RAKOTONAIVO (Madagascar) supported the opinions expressed by the representative of Bolivia on behalf of the Group of 77. The external debt of the developing countries had become a political question of major importance in international economic relations. It was a serious obstacle to the growth and development of most third world countries, and threatened to jeopardize world economic expansion during the 1990s.

2. There had been a serious increase in official debt, which currently represented around half of the developing countries' medium- and long-term debt. The Secretary-General's report (A/45/656) indicated that the increase had been largely attributable to the capitalization of interest in official bilateral debt reschedulings as well as to the accumulation of interest arrears on bilateral and multilateral debt. As such a trend seemed at variance with the treatment of official debt under the Toronto agreement, Madagascar welcomed the initiatives taken by certain countries, such as France, the United Kingdom, Germany, Japan and the United States, to ease the official debt burden, and appreciated in particular their unilateral decisions to write some of it off.

3. Madagascar also welcomed some measures taken within the international financial institutions, such as the World Bank's Special Programme of Assistance. However, the new bilateral and multilateral arrangements revealed certain shortcomings, in terms of admissibility, additionality and, above all, scale of relief they provided.

4. While certain countries continued to think that the principle of debt reduction could not be applied by the Bretton Woods institutions, Madagascar felt that those institutions had a duty, *inter alia*, to enhance their concessional facilities and to set up interest reduction systems.

5. When applying debt-relief measures, the creditor nations should take full account of the proposals contained in the joint African position on external debt adopted by the African Heads of Government at Addis Ababa in December 1987. A lasting solution must be found to the problem of reverse flows of capital from African countries to the international financial institutions.

6. Implementation of the Brady Plan had also raised a number of problems, and it had been estimated that the debt and debt service reduction provided under the Plan represented only half of what would be required. The Plan should be reinforced and managed by a central authority. The proposals contained in the report of the Secretary-General's Personal Representative on Debt (A/45/380) should be given careful consideration.

(Mr. Rakotonaivo, Madagascar)

7. It was generally recognized that the principle of debt reduction had become the major element of any lasting international debt strategy. That principle should be extended promptly to all categories of debt and debtor country, because the restoration of stability and the elimination of uncertainty would inevitably take some time. It would be unrealistic to expect the debtor countries to make a significant improvement in their domestic situation before granting them a reduction in their debt burden.

8. The success of an international debt strategy would ultimately depend on a sizeable inflow of additional external resources. A detailed calculation of the capital amounts needed should be made, and the debt-reduction goals should be agreed jointly. The assistance given by the multilateral organizations was critical to the success of debt-reduction operations, and in the long term the solution must be sought in the context of the reform of the world monetary, financial and commercial system.

9. The international community's resolve to proceed in that direction followed logically from the commitments undertaken at the eighteenth special session of the General Assembly, and contribute significantly to the achivement of the objectives of the international development strategy for the fourth Decade. Steps in that direction should be taken during the current session.

10. Mr. EAFEARE (Papua New Guinea) said that new approaches were needed in order to resolve the escalating debt problem of the developing countries. As the debt issue was a global concern, debtors and creditors alike must play a part in resolving it. The debtor countries must demonstrate strong political will in restructuring national budget priorities, in allocating foreign assistance, and in implementating structural adjustment programmes. While such programmes were essential to achieve sustained economic growth, their social costs should not be excessive. Papua New Guinea had begun a stabilization and structural adjustment programme, involving, *inter alia*, privatization of certain government organizations; fiscal and monetary restraint and encouragement of direct foreign investment.

11. It was also urgent to end the large outflows of resources from developing countries. Austerity measures which produced growth were acceptable, but when their primary purpose was to obtain balance of payments adjustments at the expense of investment and growth then they were not beneficial.

12. Rescheduling should be expanded. Such rescheduling could include longer maturities and grace periods, mechanisms for temporary relief when interest rates were exceptionally high, and the possibility of making debt service payments in local currencies during periods of foreign exchange difficulties.

13. Papua New Guinea welcomed the progress made in addressing the problem of external debt. He stressed the importance of political will and of co-operation between creditors and debtors in order to resolve the problem. Creditors must help the debtors raise the funds to meet their existing obligations and ensure the flow

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of new funds into the debtor countries. All measures, whether debt-to-equity swaps, debt-to-debt conversions, debt buy-backs or debt forgiveness, were acceptable, provided that they eradicated debt without affecting global stability and security. Moreover, the time was right for a more ambitious approach, in effect a writing-off of debt, particularly of countries most adversely affected.

14. Mr. VALLENILLA (Venezuela) said that with every passing year the situation of the debtor countries was growing worse. The general poverty that existed in much of the developing world was exacerbated by the demands of debt servicing and by the net transfer of resources to the developed countries. For 1989, the transfer had reached the enormous figure of $25 billion in Latin America alone.

15. As had been said many times in the present debate, the strategy to deal with the global problem of external debt was proving very slow to implement. Venezuela was one of the countries that had benefited from the Brady Plan and had signed an agreement to restructure its external debt. As had been pointed out in paragraph 25 of the Secretary-General's report (A/45/656) the agreement contained recapture clauses for creditors in the event of significant rise in the price of petroleum.

16. The report prepared by the Personal Representative of the Secretary-General on Debt (A/45/380) brought together a whole series of suggestions and recommendations for all involved in the complicated problem of external debt.

17. Venezuela was in agreement with much of the report and with some of its conclusions. It believed that the Brady Plan should be strengthened and provided with greater resources; that new measures should be taken to alleviate the debt burden, for example through long-term rescheduling (30 or 40 years); that interest payments should be permissible in local currency, and used to finance development projects; and that there should be a commitment to guarantee an adequate flow of public and private funds to developing countries. It also shared the concerns expressed in the report on the possible consequences of the Gulf crisis.

18. While the report did not go deeply into all aspects of the problem, such as its relationship with poverty, in general it gave an adequate picture of the development of the problem and the various solutions which had been proposed or implemented since 1983.

19. The great challenge of the 1990s was to find a way to restart economic growth and development, and to do so in the face of the four threats to development: war, poverty, debt and the destruction of the environment. Venezuela agreed totally that those problems were all parts of an international political agenda for the 1990s, and that if they were not resolved or at least eased, mankind would enter the coming century with greater problems than those it was currently facing.

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AGENDA ITEM 82: INTERNATIONAL CO-OPERATION FOR THE ERADICATION OF POVERTY IN DEVELOPING COUNTRIES (A/45/398)

20. The SECRETARY pointed out that in the first sentence of paragraph 10 of document A/45/398 the word "new" should be inserted before "phenomenon" in the English, Spanish, Arabic and Chinese versions.

21. Mr. AHMED (Under-Secretary-General for International Economic and Social Affairs) said that recent estimates indicated that 1.1 billion people - about one fifth of the world's population and one third of the population of the developing countries - lived in unacceptable conditions of poverty. Approximately 600 million of those people lived in extreme poverty. Poverty was growing fastest in Africa where the number of people living in absolute poverty had increased by about two thirds between 1970 and 1985. Poverty also had a definite gender bias, since a large proportion of poor households, especially in rural Africa and the urban slums of Latin America, were headed by women.

22. During the 1980s, the social conditions and standard of living in most countries of sub-Saharan Africa and a number of Latin American countries had deteriorated. The gross domestic product (GDP) per capita had declined, and improvements in such social indicators as infant mortality and illiteracy had either slowed or reversed, jeopardizing the gains made in past decades. Much of the deterioration in the social situation could be attributed to an unfavourable international economic environment. Depressed commodity prices, the growing burden of debt service and underfunded structural adjustment programmes had seriously weakened the economies of many developing countries. Moreover, since 1983, developing countries had experienced a large annual net negative transfer of financial resources, resulting in an overall loss of over $200 billion.

23. While the link between economic growth and the promotion of human development was not automatic, growth was nevertheless an essential condition for improving the lot of the poor. Rapidly growing external trade based on stable prices provided new opportunities for growth and employment. Positive resource flows could promote increased investment and a more rapid expansion of production and income-generating activities.

24. Another important factor contributing to poverty was population growth. It was estimated that by the year 2000 the population of the developing countries would reach 5 billion. That rapid increase was taxing countries' capacity to provide employment, housing and other social services. There was also the increasing trend towards the urbanization of poverty. While three quarters of the world's poor still lived in rural areas, the number of poor in urban slums and squatter settlements was increasing dramatically.

25. The interrelationship between poverty and the environment was also critical. Three quarters of the poor populations of the developing countries were clustered in ecologically fragile areas. Indeed, poverty was one of the greatest threats to the environment. The vicious cycle between environmental degradation, resource depletion and poverty must be broken, and international support was needed to remedy developing countries' environmental problems.

(Mr. Ahmed)

26. Despite the staggering scale of the problem, the international community must remain optimistic. Improved international relations and the prospect for significant disarmament measures should enable Governments to devote their attention and resources to waging an all-out attack on poverty. Conditions also seemed conducive to an improved international economic environment as demonstrated by the agreement reached on the international development strategy for the fourth United Nations development decade and the Declaration adopted by the General Assembly at its eighteenth special session.

27. As essential as global efforts were, they must be in keeping with national policies and strategies to promote human resources development and to eradicate poverty. Development strategies must be oriented towards realizing the full potential of a country's people, who should be guaranteed full participation in the development process through access to primary health care, education, housing and employment. National policy frameworks must be designed to meet that goal; at the micro-level, targeted policies and schemes tailored to the specific needs and interests of the poor should be vigorously pursued. In an era of serious resource constraints, such policies could provide an important impetus to growth and development.

28. Mr. ZULETA (Bolivia), speaking on behalf of the Group of 77, said that, in recent years, international co-operation for the eradication of poverty in the developing countries had become a priority issue of the United Nations system. Nevertheless, poverty in the majority of the developing countries had increased and was likely to grow still worse.

29. In their recent Declaration, the Ministers for Foreign Affairs of the Group of 77 had highlighted the importance of solving social problems in the developing countries, as a necessary condition for the revitalization of economic growth and development of those countries (A/45/584, para. 8). Eradication of poverty should therefore be considered as the final goal of economic development.

30. The report of the Secretary-General on international co-operation for the eradication of poverty in developing countries (A/45/398) did not respond, among other things, to the Assembly's request that he "co-ordinate urgent appropriate actions for the formulation, in co-operation with intergovernmental and non-governmental organizations and other multilateral bodies, of improved and enhanced action-oriented technical co-operation programmes for the eradication of poverty within the framework of the organizations of the United Nations system". His delegation hoped that in the detailed report to be submitted to the Assembly at its forty-sixth session, the Secretary-General would provide a detailed account of the implementation of those measures.

31. In order to be effective international co-operation for the eradication of poverty should focus on preferential treatment of the developing countries' exports, which would increase employment and worker productivity in both rural and urban areas; prompt solution of the problem of the developing countries' external debt; and generation of additional financial flows on favourable terms in order to

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(Mr. Zuleta, Bolivia)

reduce poverty and the negative effects of structural adjustment programmes. Efforts should also be made to improve human settlements. Finally, efforts to eradicate poverty, should be stepped up and measures should be taken to ensure that the most vulnerable groups received adequate nutrition.

32. Mr. CANTINI (Italy), speaking on behalf of the European Community, said that it was widely acknowledged that the reduction of poverty required well-designed national policies which should be complemented by international support. At the national level, sound economic and structural policies were needed to reduce mass poverty. It was important to revitalize investment, increase the level of domestic savings, improve poor people's access to credit and promote small-scale ventures and micro-enterprises, including those within the informal sector. The creation of job opportunities for the poor required, first of all, appropriate use of the poor's most abundant resource - labour. Much could be done to strengthen the industrial and agricultural base of the economy, particularly through the promotion of conditions conducive to private initiative. The European Community was in favour of small-scale labour-intensive enterprises, which in many cases were better suited to the structure of local demand than large-scale capital-intensive industries.

33. In most developing countries, the poorest sectors of the population lived in rural areas. Appropriate levels of producer prices and taxation, improved agricultural extension services, better access to land, credit, education, vocational training, primary health care and other social infrastructures should therefore be an integral part of rural development policies.

34. At the national level, much could be done in the area of human resources development. Poor people's access to essential social services should be increased through measures to readjust public budgets in favour of those services. Significant opportunities for public savings should result from reduced military spending and cuts in unproductive public investment projects and costly subsidy programmes.

35. The high rates of population growth in many developing countries would adversely affect efforts to improve those countries' economic and social prospects. Overpopulation, poverty and environmental degradation were all interrelated. An integrated perspective of both environment and development was crucial to the achievement of sustained development and the elimination of the root causes of poverty and environmental degradation. If the number of the urban poor increased, cities would have to accommodate an additional 600 million people by the year 2000. Increased public investment in housing and improved management of urban and rural infrastructures were essential elements for the solution of that problem.

36. It was important to strengthen developing countries' institutional capacities, particularly with a view to ensuring efficient management of social services. Public institutions should have the capacity to gather and process statistical data on major social problems and ensure, through structural reforms, efficient and effective public financing of essential social services. Bilateral donors and multilateral institutions should provide active support in that area.

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(Mr. Cantini, Italy)

37. No real progress could be achieved in human resources development and in poverty reduction without the effective participation of local communities in identifying the needs and ensuring the benefits of social services at the local level. Decentralization of responsibilities and of decision-making, and popular participation in the implementation of national development policies, required democratic and accountable political systems and respect for human rights and fundamental freedoms. Moreover, greater emphasis must be placed on the social and economic role of women, since no substantial progress could be achieved without the full participation of women in the decision-making process and their equitable access to the means of economic and social progress.

38. The poorest sectors of the population, which were most directly and severely affected by adjustment measures, should be protected by appropriate compensatory and other measures. Multilateral institutions could be of great assistance to Governments which were carrying out adjustment programmes, in designing specific programmes for the poor.

39. In order to promote economic growth and reduce poverty, the policies of developing countries should be supported by favourable external economic conditions, including open trading systems, debt-relief measures and aid flows on appropriate terms. In that regard, the members of the European Community reaffirmed their commitment to attaining the agreed target of devoting 0.7 per cent of their gross national product (GNP) to official development assistance (ODA). The Twelve would continue to make efforts which would allow the Community as a whole to exceed, by the end of the decade, the target of allocating 0.15 per cent of their GNP to ODA to the least developed countries.

40. The European Community was committed to supporting developing countries' poverty-reduction policies and programmes. The Twelve was convinced that developing countries could benefit from increased flows of resources other than ODA. The effective reduction of mass poverty, particularly in the least developed countries, required the full implementation of the Programme of Action adopted at the Second United Nations Conference on the Least Developed Countries. "Debt-for-social-development" agreements were one way of reducing the debt burden of developing countries and devoting more resources to basic social services for the most vulnerable sectors of the population.

41. Mr. ARROSPIDE (Peru) said that the adverse international economic climate of the 1980s had condemned an ever-growing number of people in the developing countries to extreme poverty. In real terms, the external debt crisis had meant the redirecting of official expenditures away from social programmes and towards debt-servicing payments, a choice which had rendered poverty more acute and threatened to undermine the democratization process taking place in many parts of the world.

42. He welcomed the Secretary-General's report, which indicated that the situation had failed to improve significantly in recent years, partly because of economic stagnation in most developing countries. Thus international co-operation to

(Mr. Arrospide, Peru)

eradicate poverty must not be aimed solely at providing temporary relief but also at reactivating economic growth and development in the developing countries, in keeping with the Declaration adopted at the eighteenth special session of the General Assembly and the international development strategy for the fourth United Nations development decade. Rapid growth in world trade, stable commodity prices, lower interest rates, a reversal of the net outflow of resources from developing countries, technology transfers and access to the markets of industrialized countries were all required to that end.

43. Peru had recently implemented a rigorous economic stabilization programme to combat inflation. In view of the social costs that programme entailed, the Government had also implemented an emergency plan for employment and production which sought, inter alia, to alleviate extreme poverty by promoting equal opportunities and creating jobs. Underpinning the plan were the concepts of efficient expenditures, effective utilization of appropriate technologies and emphasis on the poorest segments of the population. The plan sought to stimulate economic growth while overcoming poverty, and brought into play the creative and productive capacity of the target group of beneficiaries. The plan required resource and support from the international community as well as the Peruvian Government.

44. Mrs. ORTEGA (United States of America) noted that many speakers had stressed the need for fiscal and monetary reform as part of efforts to end poverty in the developing countries. Emphasis had also been placed on the importance of creating a domestic environment in which enterprise could flourish and private initiative was rewarded. Her delegation believed that those conditions would lead to the productive use of development assistance and sustained economic growth.

45. Economic growth and the alleviation of poverty were not conflicting goals. Trade barriers ostensibly aimed at protecting the jobs of workers in inefficient domestic industries would ultimately impoverish everyone. Likewise, subsidies to unproductive sectors of the economy diverted wealth from areas where it could be more profitably invested. Measures which vitiated citizens' claims to private poverty served as deterrents to investment and entrepreneurship, particularly for small farmers and business owners, who had untapped energies that needed to be encouraged.

46. The United States of America devoted a significant portion of its development aid budget to poverty alleviation programmes. It supported projects in many parts of the world which were designed to enhance the productivity of small farmers through the establishment of rural credit unions and co-operatives. Drinking water supply and infant health care projects had also received assistance, while other programmes receiving support focused on nutrition, reforestation and the elimination of famine and disease. It was crucial that those programmes should be viewed as part of a larger, co-ordinated economic development strategy, and, her delegation believed that the international financial institutions must be acknowledged as the lead agencies in the campaign to assist the developing countries. Such recognition was important, given that many well-meaning agencies

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(Mrs. Ortega, United States)

were involved with similar projects, often duplicating each other's efforts or working at cross purposes. In view of the need for a well co-ordinated development strategy, her delegation would oppose any attempt to fund United Nations technical assistance programmes from extrabudgetary resources.

47. Mr. OKSAMITNIY (Union of Soviet Socialist Republics) said that the problem of poverty in the underdeveloped countries was becoming a threat to world political and economic stability. In the context of the new political thinking, and in an increasingly interdependent world, there must be a universal consensus on the need to counter underdevelopment and poverty, based on the principle of the interrelation between the complex economic and social situation in the developing countries and such global issues as disarmament, conversion of military production, external debt, environmental protection, fair regulation of the commodities market, and food security. The reduction of those problems to one common denominator, mankind, as both the basis and object of stable development, must become the key element in the struggle against economic backwardness, hunger, poverty, illiteracy and disease. Every individual should have the right to life, health, adequate food supplies, housing, education, and the opportunity to play a full role in society.

48. While responsibility for achieving those goals lay primarily with the third world countries, they must be actively supported by the world community, through the establishment of a favourable external climate. Internal and external conditions must be brought into harmony, so as to guarantee predictable and stable economic and social development.

49. General Assembly resolution 44/212, on international co-operation for the eradication of poverty in developing countries, had requested the Secretary-General to submit a comprehensive report on the matter to the forty-sixth session. The report should contain concrete recommendations to Governments on programmes of action at national level for the eradication of poverty. In preparing that report, use should of course be made of the conclusions and recommendations of the twenty-sixth session of the United Nations Committee for Development Planning (E/1990/27). Such multilateral action in the framework of the United Nations should be accompanied by bilateral assistance and the furthering of mutually beneficial economic, scientific and technical co-operation.

50. *Perestroika* and the transformation of Soviet society into a market economy were creating additional opportunities for active economic co-operation between the USSR and the developing countries, in the long-term interests of both. In addition to direct economic assistance and the measures being taken by the USSR to ease the developing countries' debt burden, his country also attached importance to establishing new, non-traditional forms of co-operation.

51. Mr. LONGTON (Chile) said that the Declaration on International Economic Co-operation adopted at the eighteenth special session of the General Assembly, the international development strategy for the fourth United Nations development decade, and the World Bank's *World Development Report 1990* were indicative of the emerging global consensus on the need for urgent, concerted action to eradicate

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poverty. However, the issue transcended mere economic considerations, raising questions regarding the aspirations of the world community to become a democratic, egalitarian and participatory society in which human rights were universally respected.

52. One of the most devastating effects of poverty was the marginalization of whole sectors of society, who were excluded from participation in the economic life of the nation. That, in turn, reduced a nation's capacity to participate in the world economy. The poor were torn between despairing resignation and recourse to violence in an attempt to satisfy their basic needs. Their plight was thus a threat to the democratic life of the developing countries. It was incumbent upon those countries to modernize their structures, redistribute wealth, and bring the benefits of economic and social progress to the poorest sectors of society. However, their efforts could not succeed without a parallel effort on the part of the developed countries involving provision of aid, trade liberalization and debt relief measures. Such actions were not purely altruistic, but made sound economic sense. Chile was continuing to apply specific measures to modernize its economy while honouring its commitment to involve all its citizens, particularly the poorest, in the development process. Sustained international co-operation, both bilateral and multilateral, was needed if that policy was to be continued.

53. The time had come for the international community to translate its diagnoses of poverty into a concrete plan of action drastically to reduce the number of poor by the year 2000. His delegation believed that the international economic environment was propitious for such an initiative. However, the process of political détente needed to be accompanied by a strong emphasis on development co-operation. The resources released by the process of political détente must be channelled towards securing the economic and social progress of the developing countries.

54. The report to be prepared by the Secretary-General for submission to the forty-sixth session of the General Assembly should contain recommendations regarding measures to be taken by the international community to assist the developing countries in their fight against poverty. Those measures must necessarily take account of the long-term effect of the Gulf crisis and its impact on developing country economies. The report must constitute the first step in the long march towards securing a real reduction in the number of poor people by the year 2000. As long as hunger and poverty persisted, peace would continue to be threatened.

55. Mr. WOLFF (Colombia) said that indifference to the goal of eradicating poverty in the developing countries had at last yielded to a recognition that that goal had an important place on the economic agenda of the international community. Both the Declaration adopted at the eighteenth special session of the General Assembly and the new international development strategy assigned a prominent role to the struggle against poverty. That recognition had been shared by many of the specialized agencies within the system. The World Bank's World Development Report 1990 which was entirely devoted to the theme of poverty, made bold and valuable

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(Mr. Wolff, Colombia)

recommendations regarding the eradication of poverty in the least developed countries. Moreover, at their most recent Annual Meetings, the World Bank and the International Monetary Fund had assigned the highest priority to the international community's fight against poverty.

56. Extreme poverty must not be regarded as an inevitable consequence of natural inequalities, still less as an intrinsic characteristic of underdeveloped societies. Nor could it be regarded exclusively as a consequence of domestic mismanagement. It was also the result of the developed countries' sins of commission or omission, and of their lack of political will to find ways of redistributing world income. Developing and developed countries must be held jointly responsible for eradicating poverty for the good of mankind, on the basis of a realignment of North-South relations.

57. While economic growth was a necessary condition for overcoming poverty, it was by no means a sufficient condition. Post-war experience had shown that, even in periods of rapid and sustained economic expansion, the so-called "trickle-down effect" was not sufficient to ensure that all strata of society benefited equally, or at all, from economic growth. Indeed, in many countries large segments of the population had remained virtually untouched by growth and modernization. In the final analysis, unequal distribution of wealth was a function of the productive, social and institutional structure. The development models that had hitherto been applied were not equal to the task of doing away with poverty and improving the quality of life of the most needy. It was essential to develop a new framework of policies in which the primary objective of growth would be to bring the benefits of progress to those groups and regions that had traditionally been overlooked. The eradication of poverty was both an ethical imperative and an attainable objective. States must explicitly recognize the right of every individual to be free from poverty in a prosperous world. Starting from that premise, it would be easy to recognize the existence of a "social debt", in the sense of the extra income that poor families needed in order to satisfy their basic needs.

58. Although national policies were crucial to the eradication of poverty, national efforts must be backed by international assistance. An increase in the volume of resources transferred would not in itself be sufficient to solve the problem. Assignment of aid should be linked more closely to undertakings by countries to adopt specific development projects and programmes geared to the eradication of poverty. Those projects and programmes must fall within the framework of a more general policy of securing a more equitable order. That concern must be expressed through a macro-economic policy in which restrictive and orthodox formulas yielded to an emphasis on economic growth and the equitable distribution of its fruits.

59. The time had come to abandon rhetoric in favour of action. His delegation stressed the need for full implementation of Assembly resolution 44/212. In its view, the preliminary report of the Secretary-General contained in document A/45/398 was incomplete and superficial in its coverage, and could not constitute the basis for the comprehensive report to be presented at the next session. At the

(Mr. Wolff, Colombia)

time of adoption of resolution 44/212, the consensus had been that it would take two years to produce a satisfactory final document. His delegation hoped that the Secretariat would heed the request contained in paragraph 8 of the resolution, and, in particular, that the report would contain an analysis of the diversified impact of adverse international economic conditions on the intensification of poverty in developing countries, a summary of the experience of developing countries concerning the eradication of poverty, and specific recommendations for effective policy measures for the urgent and permanent eradication of poverty in the developing countries.

60. Mrs. TIKANVAARA (Finland), speaking on behalf of the Nordic countries, said that the persistence of severe poverty among more than 1 billion people in the world threatened stable and sustainable development at the global level. Poverty had therefore to be tackled as a matter of urgency. At a recent meeting in Norway, the Ministers for Development and Co-operation of the Nordic Countries had welcomed the growing international commitment to poverty reduction and the promotion of social justice. Political resolve to reduce poverty had also been demonstrated clearly at the eighteenth special session of the General Assembly, the Second United Nations Conference on the Least Developed Countries and in the course of the preparation of the new international development strategy. The Development Committee of the World Bank, IMF and the World Summit for Children had also emphasized the need for poverty reduction.

61. Two outstanding studies, the UNDP Human Development Report 1990 and the World Bank's World Development Report 1990, shed light on the ways in which various development philosophies had failed to affect the condition of the poor. As development experience had been gained, a convergence of views had emerged regarding appropriate anti-poverty policies and strategies. Consistent political commitment and priority-setting by developing country Governments were essential, and responsible Governments must be prepared to take decisions which might not be popular among the more affluent segments of society. However, there were many "success stories" which justified the adoption of redistributive policies which, together with the provision of educational opportunities, had had long-term social benefits. Furthermore, development assistance had been most successful when used to reinforce consistent government policies.

62. Poverty reduction was based on three fundamental concepts: the recognition of human beings, rather than production, as the most important agent and object of development; the adoption of growth-oriented national development strategies which afforded the poor opportunities to earn income; and the development of human resources. Labour-intensive, income-generating strategies were important because labour was often the only factor of production owned by the poor. It might also be necessary to provide the poor with land and credit, particularly in rural areas, in order to implement those strategies. Support to small farmers, who were often women and the sole support of their families, should be given priority. Safety-net programmes consistent with overall development objectives were also required for vulnerable social groups. An enhanced focus on integrated world development and the creation of employment opportunities through public-works or food-for-work

programmes was crucial to solving the problem of hunger, which was intimately related to poverty, since the poor often lacked access to food simply because they had no income.

63. Human resources development was another important component of poverty alleviation, as individual well-being was as necessary to development as was economic growth. The potential of the poor was far from being realized; it was therefore imperative that investments should be made in developing human resources without distinction as to sex. The notion that developing countries lacked the funds needed for human resources development was a myth, given the huge public allocations made for military purposes by some developing countries.

64. Human resources development was also important in the context of efforts to halt environmental degradation, which was closely linked to poverty and population growth. Given current population growth rates in many countries, especially in Africa, the vicious circle of poverty and environmental degradation would simply continue. By instituting family-planning services, Governments would ultimately be able to find the resources to improve education, health care and other services, while easing demographic pressures on the environment.

65. The interrelationship between democracy, human rights and development had become increasingly evident. Efforts to alleviate poverty would be enhanced by decentralizing of authority and fully involving all individuals in the decision-making process. Due attention should also be given to utilizing the development capacities of indigenous non-governmental organizations.

66. The open discussion which had emerged in a number of developing countries on issues relating to democracy reflected a commitment on the part of Governments which must receive moral and economic support from the international development community, with emphasis on the creation of a favourable external environment. Greater efforts must be made to address the debt problem and to provide adequate financing, inter alia, through the achievement of ODA targets and the establishment of an open multilateral trading system.

ORGANIZATION OF WORK

67. The CHAIRMAN announced that a number of delegations wished to join in sponsoring draft resolutions which the Committee would consider. The draft resolutions and respective sponsors were: A/C.2/45/L.25 (agenda item 12) - Ukrainian Soviet Socialist Republic; A/C.2/45/L.10/Rev.1, A/C.2/45/L.19* and A/C.2/45/L.20 (agenda item 86 (b)) - Peru; and A/C.2/45/L.14* (agenda item 87) - Brazil and Peru.

The meeting rose at 5.35 p.m.